

TOWN OF NEWELL
NEWELL, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
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TOWN OF NEWELL
NEWELL, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

FINANCIAL SECTION

- 1 Independent Auditor's Report
 - 4 Management's Discussion and Analysis (MD&A)
(Supplementary Information)
 - Basic Financial Statements: (Modified Cash Basis of Accounting)
 - Government-Wide Financial Statements:
 - 10 Statement of Net Position as of December 31, 2020
 - 11 Statement of Activities for the Year Ending December 31, 2020
 - 12 Statement of Activities for the Year Ending December 31, 2019
 - Fund Financial Statements:
 - Governmental Funds:
 - 13 Balance Sheet as of December 31, 2020
 - 14 Statement of Receipts, Disbursements, and Changes in Fund Balances
for the Year Ending December 31, 2020
 - 15 Statement of Receipts, Disbursements, and Changes in Fund Balances
for the Year Ending December 31, 2019
 - Enterprise Funds:
 - 16 Statement of Net Position as of December 31, 2020
 - 17 Statement of Receipts, Disbursements, and Changes in Net Position
for the Year Ending December 31, 2020
 - 18 Statement of Receipts, Disbursements, and Changes in Net Position
for the Year Ending December 31, 2019
 - 19 Statement of Cash Flow for the Year Ending December 31, 2020
 - 20 Statement of Cash Flow for the Year Ending December 31, 2019
 - 21 Notes to the Financial Statements
- SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A
- Budgetary Comparison Schedule - Budgetary Basis:
 - 35 General Fund -- December 31, 2020
 - 36 General Fund -- December 31, 2019
 - 37 Notes to Supplementary Information - Budgets
 - Schedule of Changes in Long-term debt --
 - 38 For the Two Years Ending December 31, 2020
 - Pension Schedules:
 - 39 Schedule of the Town's Proportional Share of Net Pension (Asset)/Liability
 - 39 Schedule of the Town's Contributions
 - 40 Notes to Supplementary Information - Pension

GOVERNMENTAL SECTION

- 41 Report on Compliance and Other Matters and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
- 43 Schedule of Prior Audit Findings
- 43 Schedule of Current Audit Findings and Responses

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
Town of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the Town of Newell (Town), Butte County, South Dakota, as of December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 Town'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 Town's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities and each major fund.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, and each major fund of the Town of Newell, South Dakota, as of December 31, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1.c to these financial statements.

Emphasis of Matter - Modified Cash Basis of Accounting

I draw attention to note 1.c of these financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town of Newell's financial statements.

The management's discussion and analysis (page 4 to 9), budgetary comparison schedules (page 35 to 37), and the pension schedules (page 39 and 40), all listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town of Newell's financial statements.

The schedule of changes in long-term debt (page 38) listed in the table of contents as supplementary information, is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term debt is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town of Newell
Independent Auditor's Report -- Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 43) dated January 14, 2022 on my tests of the Town of Newell's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

January 14, 2022



TOWN OF NEWELL
DECEMBER 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Town of Newell's (Town) financial report presents our discussion and analysis of the Town's financial performance during the two years ending December 31, 2020 within the limitations of the Town's cash basis of accounting. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS	2020	2019
Receipts:		
Charges for goods and services	718,790	681,369
Operating grants	872	3,501
Capital grants, contributions	39,257	285,113
General receipts	522,722	497,818
	-----	-----
Total	1,281,641	1,467,801
	-----	-----
Disbursements:		
Governmental	609,265	510,371
Business-type	620,399	1,375,936
	-----	-----
Total	1,229,664	1,886,307
	-----	-----
Increase (Decrease) in Net Position	51,977	(418,506)
Net Position:		
December 31, 2018		1,426,912

December 31, 2019	1,008,406	1,008,406
	-----	=====
December 31, 2020	1,060,383	
	=====	
Governmental Funds:		
General	917,674	874,444
Library Memorial	7,382	9,809
Perpetual Care	69,311	67,145
Business-Type Funds:		
Liquor	(68,982)	(41,354)
Water	(57,911)	(78,583)
Sewer	188,950	176,044
Irrigation	3,959	901
	-----	-----
Total	1,060,383	1,008,406
	=====	=====

The Town during the year ending December 31, 2020:

Received:

\$ 195,484 from property taxes.
262,989 from sales taxes.
240,384 from water and sewer services.
39,257 from a federal CDBG grant

Paid:

\$ 46,628 for water improvements.
1,947 principal on a 2009 water project bond.
11,027 principal on a 2010 SRF drinking water loan.
8,682 principal on a 2013 SRF drinking water loan.

The Town during the year ending December 31, 2019:

Received:

\$ 182,991 from property taxes.
241,522 from sales taxes.
225,434 from water and sewer services.
285,113 from a federal CDBG grant

Paid:

\$ 745,328 for water improvements.
1,878 principal on a 2009 water project bond.
10,782 principal on a 2010 SRF drinking water loan.
8,575 principal on a 2013 SRF drinking water loan.

The general fund transferred \$269,886 to the water fund.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9) as supplementary information, (2) the basic financial statements (page 10 to 34) and (3) additional supplementary information (page 35 to 40). The basic financial statements include two types of statements that present the Town from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the Town.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. The only governmental funds operated by the Town during 2019 and 2020 are the general, library memorial, and perpetual care funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the Town that operate like a business. Enterprise funds operated by the Town include the liquor, water, sewer, and irrigation funds.

The fiduciary fund financial statements provide information about the financial status of activities in which the Town acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2019 and 2020 the Town had one fiduciary fund for payroll withholding purposes.

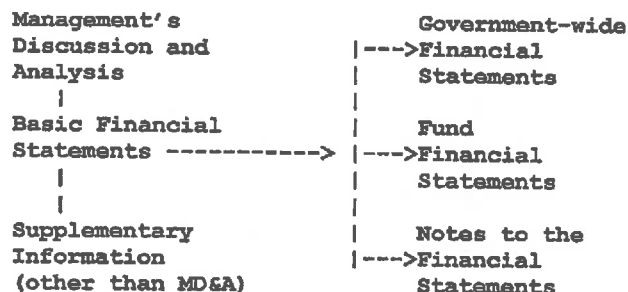
The financial statements include notes that explain in more detail some of the information found in the financial statements. The notes are also followed by a section of supplementary information.

Supplementary Information:

The Management's Discussion and Analysis (page 4 to 9), budgetary comparison schedules (page 35 to 37), schedule of changes in debt (page 38), and the Town's pension schedules (page 39 and 40) are all supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary comparison schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the Town's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire Town (except fiduciary funds)	Town Activities except Enterprise (ie: liquor) and Fiduciary	Activities operated like a private business (ie: liquor)	Town's custody of money and property that belongs to others
Modified Cash Basis Financial Statements	Net Position Statement of Activities	Stmt. of Receipts Disbursements and Changes in Fund Balance	Stmt. of Receipts, Disbursements and Changes in Fund Net Position Stmt. of Cash Flows	None
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Cash, CDs Investments	Cash, CDs, and Investments	Cash, CDs and Investments	Cash, CDs and Investments
Types of Receipts and Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	None None

BASIS OF ACCOUNTING

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

GOVERNMENT-WIDE STATEMENTS
(Reporting the Town as a whole)

The government-wide statements (page 10 to 12) report information about the Town as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's cash. The statement of activities includes all of the year's receipts and disbursements.

The two government-wide statements report the Town's net position and how it has changed. Net position is the Town's petty cash, checking accounts, savings accounts, certificate of deposit and money market accounts. The change in these accounts is one way to measure the Town's financial health. Increases or decreases in net position measures improvements or declines in the Town's financial health. To assess the Town's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such care of streets, fire protection, streets and the community center. Property taxes, sales taxes, and interest earnings finance most of these activities.

The business-type activities account for the Town's liquor, water, sewer, and irrigation activities. These services are funded by user fees. Bonds and federal and state grants help pay for capital improvements to the water and sewer systems.

FUND FINANCIAL STATEMENTS
(Reporting the Town's most significant funds)

The fund financial statements (page 13 to 20) provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting tools used to keep track of the Town's receipts and disbursements. State law requires the use of some funds and the Town board establishes other funds to manage money for a specific purpose.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the Town's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance the Town's programs.

Enterprise fund: Services for which the Town charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The water, sewer and solid waste funds are the only enterprise funds maintained by the Town.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$50,000)
(Material changes for business-type activities = changes greater than \$50,000)

For the Year Ending December 31, 2020

	Increase (Decrease)	Reason
Governmental Activities:		
Public works	101,000	Street projects
Transfer out	(270,000)	No transfers in 2020

Business-type Activities:

Capital grants	(246,000)	Finished water project in 2020
Water disbursements	(703,000)	Finished water project in 2020
Transfer in	(270,000)	No transfers in 2020

For the Year Ending December 31, 2019

	Increase (Decrease)	Reason
Governmental Activities:		
Cash	(150,000)	Transfers to water fund
Transfer out	270,000	Transfers to water fund
Business-type Activities:		
Cash	(269,000)	Water project
Charges for services	(98,000)	Drop in liquor sales
Capital grants	285,000	CDBG grant proceeds
Water disbursements	679,000	Water project
Transfer in	270,000	Transfer from general fund

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2020 the Town adopted a general fund budget of \$762,031 which is an increase of \$153,230 or 25.17% from 2019. The increase was mainly in streets. There were no supplemental appropriations to the general fund budget in 2020. See page 35 for more information.

In 2019 the Town adopted a general fund budget of \$608,801 which is a decrease of \$26,225 or 4.13% from 2018. The decrease was mainly in sanitation. There was one supplemental appropriation to the general fund budget in 2019. See page 36 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above.
See also page 38 for more information.

CURRENTLY KNOWN FACTS

In 2021 paid approximately \$15,000 engineering study regarding ADA sidewalk improvements. Phase I is expected to be done in 2022 for approximately \$25,000.

The Town received Covid money of approximately \$53,000 in 2021.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Newell's finance office at P.O. Box 405, Newell, SD 57760 or telephone us at (605) 456-2737.

TOWN OF NEWELL

TABLE 1 - NET POSITION (condensed and in thousands)

BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2020, 2019 AND 2018

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Assets:									
Current assets (cash)	994	951	1,101	66	57	326	1,060	1,008	1,427
Total assets	994	951	1,101	66	57	326	1,060	1,008	1,427
Liabilities:									
None (cash basis)	0	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0	0	0	0
Net position:									
Restricted	77	77	75	25	25	58	102	102	133
Unrestricted	917	874	1,026	41	32	268	958	906	1,294
Total net position	994	951	1,101	66	57	326	1,060	1,008	1,427

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)

BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS

FOR THE THREE FISCAL YEARS ENDING DECEMBER 31, 2020

	Governmental Activities			Business-Type Activities			Total Government		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Receipts:									
Program receipts:									
Charges for services	129	130	90	590	551	649	719	681	739
Operating grants and contri.	1	4	4				1	4	4
Capital grants and contri.				39	285		39	285	0
General receipts:									
Receipts from taxes	460	426	398				460	426	398
Receipts from state sources	43	40	40				43	40	40
Receipts from county sources	10	9	9				10	9	9
Interest received	1	1	1		1		1	2	1
Other general receipts	9	21	7				9	21	7
Total receipts	653	631	549	629	837	649	1,282	1,468	1,198
Disbursements:									
General government	127	127	168				127	127	168
Public safety	89	86	46				89	86	46
Public works	312	211	239				312	211	239
Health and welfare	13	12	18				13	12	18
Culture and recreation	66	73	82				66	73	82
Economic development	3	2	3				3	2	3
Liquor				366	405	410	366	405	410
Water				189	892	213	189	892	213
Sewer				57	65	55	57	65	55
Irrigation				8	14	11	8	14	11
Total disbursements	610	511	556	620	1,376	689	1,230	1,887	1,245
Excess of receipts over (under) disbursements	43	120	(7)	9	(539)	(40)	52	(419)	(47)
Transfers		(270)			270		0	0	0
Change in net position	43	(150)	(7)	9	(269)	(40)	52	(419)	(47)
Net position:									
December 31, 2017			1,108			366			1,474
December 31, 2018		1,101	1,101		326	326		1,427	1,427
December 31, 2019	951	951		57	57		1,008	1,008	
December 31, 2020	994			66			1,060		

TOWN OF NEWELL

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	
ASSETS:			
Cash and cash equivalents	726,848	(67,472)	659,376
Cash - savings	181,521	97,298	278,819
Certificates of deposit	35,998	11,190	47,188
Restricted assets:			
Cash and cash equivalents	6,516	25,000	31,516
Certificates of deposit	43,484		43,484
Total assets	994,367	66,016	1,060,383
NET POSITION:			
Restricted for:			
Cemetery perpetual care	69,311		69,311
Library	7,382		7,382
Other purposes		25,000	25,000
Unrestricted	917,674	41,016	958,690
Total net position	994,367	66,016	1,060,383

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2020

Functions/Programs: Primary government:	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for		Governmental Activities	Business-type Activities	Totals
		Operating Services and Reimbursements	Capital Grants and Contributions			
Governmental activities:						
General government	127,240	15,479		(111,761)		(111,761)
Public safety	88,759	33,158		(55,601)		(55,601)
Public works	311,855	80,050		(231,805)		(231,805)
Health and welfare	12,688	872		(11,816)		(11,816)
Culture and recreation	65,947	190		(65,757)		(65,757)
Economic development	2,776			(2,776)		(2,776)
Total governmental activities	609,265	128,877	872	(479,516)	0	(479,516)
Business-type activities:						
Liquor	365,840	338,031		(27,809)		(27,809)
Water	188,659	170,074	39,257	20,672		20,672
Sewer	57,461	70,310		12,849		12,849
Irrigation	8,439	11,497		3,058		3,058
Total business-type activities	620,399	589,912	0	8,770	8,770	8,770
Total primary government	1,229,664	718,789	872	(479,516)	8,770	(470,746)
General receipts:						
Taxes:						
Property taxes				195,484		195,484
Sales taxes				262,989		262,989
Gross receipts business tax				970		970
Amusement taxes				108		108
State shared receipts				42,923		42,923
County shared receipts				10,399		10,399
Interest received				766	238	1,004
Rents and franchise fees				5,125		5,125
Miscellaneous receipts				3,721		3,721
Total general receipts				522,485	238	522,723
Change in net position				42,969	9,008	51,977
Net position:						
January 1, 2020				951,398	57,008	1,008,406
December 31, 2020				994,367	66,016	1,060,383

See accompanying notes.

**STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2019**

See accompanying notes.

TOWN OF NEWELL

BALANCE SHEET -- MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2020

	General Fund	Library Memorial Fund	Cametary Perpetual Care Fund	Total
ASSETS:				
Cash and cash equivalents	705,655	1,882	19,311	726,848
Cash - money market	181,521			181,521
Certificates of deposit	30,498	5,500		35,998
Restricted assets:				
Cash and cash equivalents			6,516	6,516
Certificates of deposit			43,484	43,484
Total assets	917,674	7,382	69,311	994,367
FUND BALANCES:				
Nonspendable			50,000	50,000
Restricted		7,382	19,311	26,693
Committed				0
Assigned - capital outlay	68,664			68,664
Assigned - fire deparment	133,687			133,687
Assigned - museum	1,247			1,247
Unassigned	714,076			714,076
Total fund balances	917,674	7,382	69,311	994,367 *

* Equals net position on
statement of net position

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2020

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Fund	Total
Receipts:				
Local sources:				
Taxes:				
Ad valorem taxes	195,484			195,484
General sales and use taxes	262,989			262,989
Gross receipts business tax	970			970
Amusement taxes	108			108
Licenses and permits:	2,575			2,575
Intergovernmental:				
Federal shared revenue: Covid	872			872
State shared revenue:				
Bank franchise tax	3,143			3,143
Commercial vehicle prorata	3,180			3,180
Liquor tax reversion	4,174			4,174
Motor vehicle licenses (5%)	10,982			10,982
Highway and bridge	21,444			21,444
County shared revenue	10,399			10,399
Charges for goods and services:				
Fire, net	33,158			33,158
Sanitation	74,121			74,121
Cemetery	500		2,213	2,713
Liquor mark-up	11,712			11,712
Other	3,216	190		3,406
Fines and forfeits:	1,192			1,192
Miscellaneous:				
Interest received	446	80	240	766
Rents and cable franchise	5,125			5,125
Other	3,721			3,721
Total receipts	649,511	270	2,453	652,234
Disbursements:				
Current:				
General government:				
Mayor and Council	5,356			5,356
Elections	1,067			1,067
Financial administration	61,207			61,207
Other	56,278			56,278
Public safety:				
Police	46,926			46,926
Fire	41,833			41,833
Public works:				
Highways and streets	161,635			161,635
Sanitation	75,322			75,322
Cemetery	10,850		287	11,137
Health and welfare:				
Ambulance	12,688			12,688
Culture and recreation:				
Recreation	900			900
Parks	25,458			25,458
Library	23,230	2,697		25,927
Museum	8,682			8,682
Conservation and development:				
Economic development	2,776			2,776
Capital outlay:	72,073			72,073
Total disbursements	606,281	2,697	287	609,265
Excess of receipts over (under) disbursements	43,230	(2,427)	2,166	42,969
Other financing sources (uses):				
None				0
Net change in fund balance	43,230	(2,427)	2,166	42,969 **
Fund balance:				
January 1, 2020	874,444	9,809	67,145	951,398
December 31, 2020	917,674	7,382	69,311	994,367

** Equals change in net position on
Statement of Activities

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Fund	Total
Receipts:				
Local sources:				
Taxes:				
Ad valorem taxes	182,991			182,991
General sales and use taxes	241,522			241,522
Gross receipts business tax	924			924
Amusement taxes	84			84
Licenses and permits:	3,490			3,490
Intergovernmental:				
State shared revenue:				
Grants	3,501			3,501
Bank franchise tax	3,947			3,947
Commercial vehicle prorated	963			963
Liquor tax reversion	3,930			3,930
Motor vehicle licenses (5%)	10,528			10,528
Highway and bridge	21,219			21,219
County shared revenue	8,741			8,741
Charges for goods and services:				
Fire, net	35,958			35,958
Sanitation	72,797			72,797
Cemetery	200		946	1,146
Liquor mark-up	10,298			10,298
Animal control	80			80
Other	1,394	4,145		5,539
Fines and forfeits:	1,076			1,076
Miscellaneous:				
Interest received	1,274	79	186	1,539
Rents and cable franchise	4,319			4,319
Other	16,422			16,422
Total receipts	625,658	4,224	1,132	631,014
Disbursements:				
Current:				
General government:				
Mayor and Council	12,457			12,457
Elections	950			950
Financial administration	48,301			48,301
Other	64,798			64,798
Public safety:				
Police	51,186			51,186
Fire	34,887			34,887
Public works:				
Highways and streets	116,060			116,060
Sanitation	75,959			75,959
Cemetery	18,698		57	18,755
Health and welfare:				
Ambulance	11,597			11,597
Culture and recreation:				
Recreation	875			875
Parks	36,122			36,122
Library	21,692	3,465		25,157
Museum	4,892			4,892
Conservation and development:				
Economic development	2,509			2,509
Capital outlay:	5,866			5,866
Total disbursements	506,849	3,465	57	510,371
Excess of receipts over (under) disbursements	118,809	759	1,075	120,643
Other financing sources (uses):				
Transfer out - water	(269,886)			(269,886)
Net change in fund balance	(151,077)	759	1,075	(149,243) **
Fund balance:				
January 1, 2019	1,025,521	9,050	66,070	1,100,641
December 31, 2019	874,444	9,809	67,145	951,398

** Equals change in net position on
Statement of Activities

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2020

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
ASSETS					
Current assets:					
Cash and cash equivalent	(90,221)	(57,911)	76,701	3,959	(67,472)
Cash - savings	21,239		76,059		97,298
Certificates of deposit			11,190		11,190
Restricted assets:					
Cash and cash equivalent			25,000		25,000
Total assets	<u>(68,982)</u>	<u>(57,911)</u>	<u>188,950</u>	<u>3,959</u>	<u>66,016</u>
NET POSITION					
Restricted - debt service		0			0
Restricted - other purposes			25,000		25,000
Unrestricted	(68,982)	(57,911)	163,950	3,959	41,016
Total net position	<u>(68,982)</u>	<u>(57,911)</u>	<u>188,950</u>	<u>3,959</u>	<u>66,016</u>

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN NET POSITION -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2020

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	317,068	170,074	70,311	11,497	568,950
Video lottery, net	20,963				20,963
Total operating receipts	338,031	170,074	70,311	11,497	589,913
Operating disbursements:					
Personal services	112,655	57,297	38,913		208,865
Other current services	70,868	54,787	15,842	8,439	149,936
Cost of goods sold	182,317				182,317
Capital assets		46,628			46,628
Total operating disbursements	365,840	158,712	54,755	8,439	587,746
Excess operating receipts (disbursements)	(27,809)	11,362	15,556	3,058	2,167
Nonoperating receipts (disbursements):					
Interest received	181		56		237
Federal CDBG grant proceeds		39,257			39,257
Loan pymts - principal		(20,682)	(973)		(21,655)
- interest		(9,265)	(1,733)		(10,998)
Total nonoperating receipts (disbursements)	181	9,310	(2,650)	0	6,841
Excess receipts (disbursements) before transfers	(27,628)	20,672	12,906	3,058	9,008
Transfers - none					0
Change in net position	(27,628)	20,672	12,906	3,058	9,008
Net position:					
January 1, 2020	(41,354)	(78,583)	176,044	901	57,008
December 31, 2020	(68,982)	(57,911)	188,950	3,959	66,016

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN NET POSITION -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Operating receipts:					
Charges for goods and services	296,452	154,984	70,450	8,792	530,678
Video lottery, net	20,307				20,307
	-----	-----	-----	-----	-----
Total operating receipts	316,759	154,984	70,450	8,792	550,985
	-----	-----	-----	-----	-----
Operating disbursements:					
Personal services	121,215	58,597	38,513		218,325
Other current services	66,538	58,376	23,758	13,960	162,632
Cost of goods sold	216,999				216,999
Capital assets		745,328			745,328
	-----	-----	-----	-----	-----
Total operating disbursements	404,752	862,301	62,271	13,960	1,343,284
	-----	-----	-----	-----	-----
Excess operating receipts (disbursements)	(87,993)	(707,317)	8,179	(5,168)	(792,299)
Nonoperating receipts (disbursements):					
Interest received	237	215	237		689
Federal CDBG grant proceeds		285,113			285,113
Loan pymts - principal		(20,296)	(939)		(21,235)
- interest		(9,650)	(1,767)		(11,417)
	-----	-----	-----	-----	-----
Total nonoperating receipts (disbursements)	237	255,382	(2,469)	0	253,150
Excess receipts (disbursements) before transfers	(87,756)	(451,935)	5,710	(5,168)	(539,149)
Transfers in		269,886			269,886
	-----	-----	-----	-----	-----
Change in net position	(87,756)	(182,049)	5,710	(5,168)	(269,263)
Net position:					
January 1, 2019	46,402	103,466	170,334	6,069	326,271
	-----	-----	-----	-----	-----
December 31, 2019	(41,354)	(78,583)	176,044	901	57,008
	-----	-----	-----	-----	-----

See accompanying notes.

TOWN OF NEWELL

STATEMENT OF CASH FLOWS -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2020

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	338,031	170,074	70,311	11,497	589,913
Payments to employees	(112,655)	(57,297)	(38,913)		(208,865)
Payments to suppliers	(253,185)	(54,787)	(15,842)	(8,439)	(332,253)
Payments for capital assets		(46,628)			(46,628)
Net cash provided (used) by operating activities	----- (27,809)	----- 11,362	----- 15,556	----- 3,058	----- 2,167
Noncapital financing activities:					
None					0
Capital financing activities:					
CDBG grant		39,257			39,257
RD loan pymts - principal		(20,682)	(973)		(21,655)
- interest		(9,265)	(1,733)		(10,998)
Investing activities:					
Interest received	181		56		237
Purchase cert. of deposits					0
			1		1
Net increase (decrease) in cash and cash equivalents	----- (27,628)	----- 20,672	----- 12,907	----- 3,058	----- 9,009
Cash and cash equivalents:					
January 1, 2020	(41,354)	(78,583)	164,853	901	45,817
December 31, 2020	----- (68,982)	----- (57,911)	----- 177,760	----- 3,959	----- 54,826
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(27,809)	11,362	15,556	3,058	2,167
Net cash provided (used) by operating activities	----- (27,809)	----- 11,362	----- 15,556	----- 3,058	----- 2,167
Noncash investing, capital and financing activities: None					
See accompanying notes.					

TOWN OF NEWELL

STATEMENT OF CASH FLOWS -- MODIFIED CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2019

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	316,759	154,984	70,450	8,792	550,985
Payments to employees	(121,215)	(58,597)	(38,513)		(218,325)
Payments to suppliers	(283,537)	(58,376)	(23,758)	(13,960)	(379,631)
Payments for capital assets		(745,328)			(745,328)
Net cash provided (used) by operating activities	----- (87,993)	----- (707,317)	----- 8,179	----- (5,168)	----- (792,299)
Noncapital financing activities:					
None					0
Capital financing activities:					
CDBG grant		285,113			285,113
Transfers in		269,886			269,886
RD loan pymts - principal		(20,296)	(939)		(21,235)
- interest		(9,650)	(1,767)		(11,417)
Investing activities:					
Interest received	237	215	237		689
Purchase cert. of deposits					0
Net increase (decrease) in cash and cash equivalents	----- (87,756)	----- (182,049)	----- 5,710	----- (5,168)	----- (269,263)
Cash and cash equivalents:					
January 1, 2019	46,402	103,466	159,143	6,069	315,080
December 31, 2019	----- (41,354)	----- (78,583)	----- 164,853	----- 901	----- 45,817
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(87,993)	(707,317)	8,179	(5,168)	(792,299)
Net cash provided (used) by operating activities	----- (87,993)	----- (707,317)	----- 8,179	----- (5,168)	----- (792,299)
Noncash investing, capital and financing activities: None					
See accompanying notes.					

TOWN OF NEWELL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Town of Newell's (Town) Governing Board.

The Town's officials at December 31, 2020 are:

Mayor:
Kenneth Wetz

Finance Officer:
Jennifer Parrow

Governing Board:
Donald Adams, President
Chad Erk
Tiffany Tennis
Allen Youngberg

Attorney:
John Frederickson

The Town's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The Town of Newell
Component Unit: - None

To determine the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the Town of Newell consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) 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 Town 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 Town (the primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town unless that organization can, without the approval of the Town: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Town of Newell does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the Town or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The Town has elected to classify all of its funds as major funds.

Funds of the Town are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the Town except those required to be accounted for in another fund. The general fund is always a major fund.

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

Library Memorial Fund - A fund allowed by SDCL 14-2-42 and AGR 82-33 to account for the collection and disbursement of library fines and gifts. The library memorial fund is a major fund.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs - that is, for the benefit of the Town or its citizenry. The Town's only permanent fund is:

Cemetery Perpetual Care Fund - A fund allowed by SDCL 9-32-18 to account for the payments received for perpetual care of cemeteries which are permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. The cemetery perpetual care fund is a major fund.

Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The Town has the following enterprise funds:

Liquor Fund - A fund allowed by SDCL 35-3-21 to account for the operation of an on-sale and/or off-sale municipal liquor store. The liquor fund is a major fund.

Water Fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the Town of Newell. The water fund is a major fund.

Sewer Fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the Town of Newell. The sewer fund is a major fund.

Irrigation Fund - A fund allowed by SDCL 9-47-1 to provide water irrigation services to customers of the Newell. The irrigation fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds. The Town had no fiduciary funds in 2019 or 2020.

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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Town's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as described below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Town in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

If the Town applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The Town's certificates of deposit have a maturity of more than three months when purchased and are not considered a cash equivalent.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the Town.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for liquor, water, sewer, and irrigation services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for custodial funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

i. Application of Net Position:

It is the Town's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Balance Classification Policies and Procedures:

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

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

The Town of Newell fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Cemetery Perpetual Care	Statute	50,000
Restricted	Cemetery Perpetual Care	Statute	19,311
Restricted	Library Memorial	Statute	7,382
Committed	None		0
Assigned	Capital projects	Finance Officer	68,664
Assigned	Fire department	Finance Officer	133,687
Assigned	Museum	Finance Officer	1,247
Unassigned	General fund		714,076

			994,367

The Town uses "restricted" and "committed" amounts first when 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 Town would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund cash balance policy.

The Town has one special revenue fund.

The purpose of the special revenue fund and its revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source:
* Library Memorial	Receive gifts and collect fines	See page 14 and 15

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Town is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following are overdrafts of departmental disbursement compared to appropriations for the general fund.

2020: General fund - Public safety/fire	20,183
2019: General fund - Public safety/fire	3,737

These are not considered significant violations of a departmental expenditure compared to appropriations. In the future, the Town expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the Town follows the practice of aggregating deposits of its 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 Town deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2020 were as follows: Insured \$500,000, Collateralized ** \$657,781, for a total of \$1,157,781.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2020 was \$1,060,383 held as follows.

First National Bank, (Newell, SD):	
Checking	681,176
Savings	278,819
Certificates of deposit	90,672

	1,050,667
Petty cash	9,716

	<u>1,060,383</u>

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits Town money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

During 2019 and 2020 the Town had no investments.

Investment Risk - State law limits eligible investments for the Town as discussed above. The Town has no investment policy that would further limit its investment choices.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the Town will not be able to recover the value of an investment or collateral securities held by the counterparty. During 2019 and 2020 the Town had no investments and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. At December 31, 2020, the Town's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the Town places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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

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

5. LONG-TERM DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 38. The Town did not have any short-term or conduit debt in 2019 or 2020.

6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water and sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Water Project Revenue Bond and two State Revolving Loans which have a remaining balance of \$435,392 at December 31, 2020. These debts were incurred to cover the cost of water improvements. The bonds/loan will mature in 2025, 2042 and 2048. In 2020 the debt had pledged water revenue of \$57,990, pledged sewer revenue of \$15,556, and total payments of \$32,653.

7. RESTRICTED NET POSITION

The following table shows the December 31, 2020 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Cemetery Perpetual Care	Statute	69,311	
Library	Statute	7,382	
Other purposes	Contract		25,000
		-----	-----
Total Restricted Net Position		76,693	25,000

8. INTERFUND TRANSFERS

In 2020 there were no transfers between funds.

In 2019 the Town transferred \$269,886 from the general fund to the water fund for a capital improvement.

9. NEGATIVE FUND BALANCES

The water and sewer December 31, 2020 negative fund balances are expected to be reversed in 2021 from operating activities.

10. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Description:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation 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 or 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 long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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 equal to or greater than the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Town's share of contributions to the SDRS for the calendar years ending December 31, 2020, 2019, and 2018 were \$12,395, \$13,234 and \$13,022 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities:

At June 30, 2020 SDRS is 100.04% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the Town as of this measurement period ending June 30, 2020 and reported by the Town as of December 31, 2020 are as follows:

Proportionate share of total pension liability	\$ 1,243,474
Less: Proportionate share of net position restricted for pension benefits	(1,243,913)

Proportionate share of net pension (asset)/liability	\$ (439)
	=====

The net pension (asset)/liability was measured as of June 30, 2020 and the total pension (asset)/liability used to calculate the net pension (asset)/liability was based on a projection of the Town's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Town's proportion was .000101153 which is a decrease of .0000057 over its proportion measured as of June 30, 2019.

Actuarial Assumptions:

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

Inflation	2.25%
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	1.41%

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.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 those 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 (asset)/liability.

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Town's proportionate share of the net pension (asset)/liability	\$170,421	\$(439)	\$(140,200)

Investments

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 (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

	100.0%	

Pension Plan Fiduciary Net Position:

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

11. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the Town's taxes and remits them to the Town. Because the Town is on the modified cash basis of accounting, all property taxes received in cash are considered revenue for the period in which it was collected.

The Town is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the Town: a) general fund \$27.00; b) bond redemption funds: Amts required by Bond Agreements; c) judgment fund (upon a judgment being made) \$10.00. State statute allows the tax rates to be raised by special election of the voters.

12. AMBULANCE SERVICE

The Town contributed \$11,597 in 2019 and \$12,688 in 2020 to the Butte County Ambulance Service.

13. INSURANCE

The Town 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 two years ending December 31, 2020 the Town managed its risks as follows:

Employee Health Insurance:

The Town purchases health insurance for its employees from a commercial carrier. The Town does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Town 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 Town'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 Town. The Town 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 Town pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, and property insurance.

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	1	2	3	4	5	6+
Percentage	55%	50%	40%	35%	30%	20%

All refunds shall be paid to the withdrawing member over a 5 year term.

As of December 31, 2020, the Town's balance available to be refunded per the SDPAA was \$58,076, which was an increase of \$2,145 from December 31, 2019. The change in the amount available for refund is not reported in the current period because these financial statements are on the modified cash basis of accounting.

The Town 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 during the past three years.

Worker's Compensation:

The Town 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 worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Town's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The Town pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The Town has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. No unemployment benefits were paid in 2019 or 2020 and none are expected to be paid in 2021.

14. TAX ABATEMENTS

As of December 31, 2020 the Town did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the Town has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

15. LITIGATION

At December 31, 2020, the Town was not a party to litigation or pending legal action, other than compliance with a state approved ADA plan. However, as discussed in the risk management note above, the Town has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Therefore, should there be legal action, it is not expected to have a material effect on the Town's financial statements.

16. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The Town has no material unallowed related party activity.

The Town does not offer any Other Post Employment Benefits.

The Town has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In 2021 paid approximately \$15,000 engineering study regarding ADA sidewalk improvements. Phase I is expected to be done in 2022 for approximately \$25,000.

The Town received Covid money of approximately \$53,000 in 2021.

TOWN OF NEWELL

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING DECEMBER 31, 2020

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:	406,331		406,331	459,551	53,220
Licenses and permits:	3,200		3,200	2,575	(625)
Intergovernmental receipts:	235,500		235,500	54,194	(181,306)
Charges for goods and services	82,700		82,700	122,707	40,007
Fines and forfeits	1,000		1,000	1,192	192
Miscellaneous receipts:	33,300		33,300	9,292	(24,008)
Total receipts	762,031	0	762,031	649,511	(112,520)
Disbursements:					
General government:					
Mayor and Council	9,726		9,726	5,356	4,370
Contingency	15,000		15,000		15,000
Amount transferred		(3,400)	(3,400)		(3,400)
Elections	1,600		1,600	1,067	533
Financial administration	96,108		96,108	64,539	31,569
Other	77,533		77,533	56,278	21,255
Public safety:					
Police	53,225		53,225	46,926	6,299
Fire	21,650		21,650	41,833	(20,183)
Public works:					
Highways and streets	273,496	565	274,061	225,396	48,665
Sanitation	85,911	1,720	87,631	75,322	12,309
Cemetery	25,126		25,126	10,850	14,276
Health and welfare:					
Ambulance	12,690		12,690	12,688	2
Culture and recreation:					
Recreation	1,000		1,000	900	100
Parks	44,461		44,461	25,458	19,003
Library	28,505	615	29,120	28,210	910
Museum	9,000		9,000	8,682	318
Conservation and development:					
Economic development	7,000	500	7,500	2,776	4,724
Total disbursements	762,031	0	762,031	606,281	155,750
Excess of receipts over (under) disbursements	0	0	0	43,230	43,230
Other financing sources (uses):					
None			0		0
Net change in fund balance	0	0	0	43,230	43,230
Fund balance:					
January 1, 2020	874,444		874,444	874,444	0
December 31, 2020	874,444	0	874,444	917,674	43,230

TOWN OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2019

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources:					
Taxes:	410,331			425,521	15,190
Licenses and permits:	3,900			3,490	(410)
Intergovernmental receipts:	68,500			52,829	(15,671)
Charges for goods and services	82,800			120,727	37,927
Fines and forfeits	1,000			1,076	76
Miscellaneous receipts:	33,300			22,015	(11,285)
Total receipts	599,831	0	0	625,658	25,827
Disbursements:					
General government:					
Mayor and Council	14,962			12,457	2,505
Contingency	9,000			9,000	9,000
Amount transferred		(9,000)		(9,000)	(9,000)
Elections	1,400			950	450
Financial administration	72,366			48,301	24,065
Other	56,461	8,400		64,798	63
Public safety:					
Police	51,225			51,186	39
Fire	31,150			34,887	(3,737)
Public works:					
Highways and streets	158,905	600	8,100	116,060	51,545
Sanitation	82,852			75,959	6,893
Cemetery	17,828		870	18,698	0
Health and welfare:					
Ambulance	14,500			11,597	2,903
Culture and recreation:					
Recreation	1,000			875	125
Parks	36,136			36,122	14
Library	35,894			27,558	8,336
Museum	8,652			4,892	3,760
Conservation and development:					
Economic development	7,500			2,509	4,991
Total disbursements	599,831	0	8,970	506,849	101,952
Excess of receipts over (under) disbursements	0	0	(8,970)	118,809	127,779
Other financing sources (uses):					
None				0	(269,886)
Net change in fund balance	0	0	(8,970)	(151,077)	(142,107)
Fund balance:					
January 1, 2019	1,025,521			1,025,521	0
December 31, 2019	1,025,521	0	(8,970)	874,444	(142,107)

TOWN OF NEWELL

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town of Newell (Town) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. 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.
- b. 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 d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2020 there were no supplemental budgets to the general fund. During 2019 there was one supplemental budget to the general fund. See pages 35 and 36.
- e. Formal budgetary integration is employed as a management control device for the general fund.
- f. Budgets for the general fund is not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplemental information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

TOWN OF NEWELL

SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2020

	Beginning 12-31-18	2019 Additions (Deletions)	2020 Additions (Deletions)	Governmental Funds Ending 12-31-20	Enterprise Funds Ending 12-31-20	Principal Payments Due in 2021
BUSINESS-TYPE						
2009 Water Project Bond:						
Original amount of \$114,000						
Maturing in 2048						
Interest at 3.625%						
Monthly payments of \$451						
Paid by the water and sewer fund	97,477	(1,878)	(1,947)		93,652	2,017
2010 SRF Drinking Water #1 Loan:						
Original amount of \$714,774						
Principal forgiveness of \$322,750						
Maturing in January 2042						
Interest at 2.25%						
Quarterly payments of \$4,503						
Paid by the water fund	325,417	(10,782)	(11,027)		303,608	11,277
2013 SRF Drinking Water #2 Loan:						
Original amount of \$230,952						
Principal forgiveness of \$144,345						
Maturing in April 2025						
Interest at 1.25%						
Quarterly payments of \$2,306.70						
Paid by the water fund	55,389	(8,575)	(8,682)		38,132	8,791
Totals	478,283	(21,235)	(21,656)		435,392	22,085

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2020

	Total Payment	Principal	Interest	Balance
2009 Water Project Bond:				
2021	5,412	2,017	3,395	91,635
2022	5,412	2,090	3,322	89,545
2023	5,412	2,166	3,246	87,379
2024	5,412	2,245	3,167	85,134
2025	5,412	2,326	3,086	82,808
2026-2030	27,060	12,957	14,103	69,851
2031-2035	27,060	15,482	11,578	54,369
2036-2040	27,060	18,499	8,561	35,870
2041-2045	27,060	22,105	4,955	13,765
2046-2048	14,721	13,765	956	0
Totals	150,021	93,652	56,369	
2010 SRF Drinking Water #1 Loan:				
2021	18,014	11,277	6,737	292,331
2022	18,013	11,533	6,480	280,798
2023	18,014	11,795	6,219	269,003
2024	18,013	12,062	5,951	256,941
2025	18,014	12,336	5,678	244,605
2026-2030	90,068	66,008	24,060	178,597
2031-2035	90,067	73,844	16,223	104,753
2036-2040	90,068	82,611	7,457	22,142
2041-2042	22,517	22,142	375	0
Totals	382,788	303,608	79,180	
2013 SRF Drinking Water #2 Loan:				
2021	9,227	8,791	436	29,341
2022	9,227	8,902	325	20,439
2023	9,227	9,013	214	11,426
2024	9,227	9,127	100	2,299
2025	2,306	2,299	7	0
Totals	39,214	38,132	1,082	

TOWN OF NEWELL
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	Town's Pension Allocation Percentage	Town's Proportionate Share of Net Pension (Asset) Liability	Town's Covered Employee Payroll for a June 30th Year End	Town's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0101153%	(439)	2,025,583	(00.20%)	100.04%
June 30, 2019	0.0106853%	(1,132)	1,966,233	(00.50%)	100.09%
June 30, 2018	0.0102113%	(238)	212,283	(00.11%)	100.02%
June 30, 2017	0.0116843%	(1,060)	237,400	(00.45%)	100.10%
June 30, 2016	0.0085642%	28,929	162,850	17.76%	96.89%
June 30, 2015	0.0082461%	(34,974)	150,550	(23.23%)	104.10%
June 30, 2014	0.0102986%	(74,197)	180,100	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6-30 of the Town's current calendar year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF NEWELL
FOR THE SEVEN YEARS ENDING DECEMBER 31, 2020

SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

Town's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	Town's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2020	12,395	12,395	0	206,583	6.00%
December 31, 2019	13,234	13,234	0	220,567	6.00%
December 31, 2018	13,022	13,022	0	217,033	6.00%
December 31, 2017	12,473	12,473	0	207,883	6.00%
December 31, 2016	12,615	12,615	0	210,250	6.00%
December 31, 2015	9,452	9,452	0	157,533	6.00%
December 31, 2014	11,324	11,324	0	188,733	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF NEWELL

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE TWO YEARS ENDING DECEMBER 31, 2020

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

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

Actuarial Assumption Changes:

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

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

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

Actuarial Method Changes:

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

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

Governing Board
Town of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, and each major fund, of the Town of Newell (Town), Butte County, South Dakota, as of December 31, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated January 14, 2022 which was unmodified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Town of Newell's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described as findings 2020-01 and 2020-02 in the attached schedule of current audit findings and responses.

Management response to the findings identified are described in the accompanying schedule of current audit findings and responses. I did not audit the management responses and, accordingly, I express no opinion on them.

I did note other minor matters involving compliance that I reported to the governing body and management of the Town of Newell in a separate Letter of Comments dated January 14, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Town of Newell's financial statements will not be prevented, or detected and corrected on a timely basis.

Report on Compliance and Other Matters and on Internal Control
Page Two

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify deficiencies in internal control, that I consider to be significant deficiencies. I consider the deficiencies described in the accompanying schedule of current audit findings and responses as findings 2020-01 and 2020-02 to be significant deficiencies.

I did note other matters involving internal control that I reported to the governing body and management of the Town of Newell in a separate Letter of Comments dated January 14, 2022.

Management responses to the findings identified in my audit are described in the accompanying schedule of current audit findings and responses. I did not audit the management responses and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the Town's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance and internal control over financial reporting. 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



January 14, 2022

TOWN OF NEWELL
SCHEDULES OF FINDINGS AND RESPONSES
DECEMBER 31, 2020

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable

Prior Other Audit Findings:
2018-01: [Cash Reconciliations] -- Corrected
2018-02: [Fire and Library Records] -- Corrected

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2020-01: Claims Not Authorized in the Minutes
(compliance and internal control)

Criteria:

South Dakota Codified Law 9-23-2 requires that before any claim against the municipality is allowed, that it be fully itemized and entered upon the minutes of the meetings of the governing body.

Condition:

A separate construction checking account was used to account for the activity of a water line project, as required by the administration of a CDBG grant. However, none of the claims paid through this checking account were listed in the minutes as required by statute.

Questioned Cost:

None could be identified regarding this finding, except that the claims were not listed in the minutes.

Effect:

Withholding financial information from the public may results in inaccurate financial reporting and possible misappropriation of funds.

Recommendation:

Management of the Town should ensure that all claims against the Town that are approved by the governing body be listed in the minutes.

Management Response:

Management agrees with this recommendation. This construction account has been closed.

Finding 2020-02: Transferring Money Between Funds
(compliance and internal control)

Criteria:

South Dakota Codified Law 9-21-26.1 requires that the transfer of money between funds be authorized by at lease two-thirds vote of the governing body.

Condition:

Two certificates of deposit that were a part of general fund cash, were cashed and put into the water fund construction checking account. This transfer of cash from the general fund to the water fund was not authorized in the minutes by a two-thirds vote of the governing body.

Questioned Cost:

None could be identified regarding this finding, except that the transfers were not listed in the minutes.

TOWN OF NEWELL
DECEMBER 31, 2020

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Effect:

Withholding financial information from the public may results in inaccurate financial reporting and possible misappropriation of funds.

Recommendation:

Management of the Town should ensure that all transfers between funds that are approved by the governing body be listed in the minutes.

Management Response:

Management agrees with this recommendation.