MUNICIPALITY OF HUMBOLDT
HUMBOLDT, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2018 TO DECEMBER 31, 2018
AND
FOR THE YEAR JANUARY 1, 2019 TO DECEMBER 31, 2019

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

MUNICIPAL OFFICIALS
DECEMBER 31, 2019

GOVERNING BOARD:

Adam Lund – President
Ritchy Griepp – Vice-President
Theresa Muth
Allen Schmeichel
Heather VanZee

FINANCE OFFICER:

Nicole Baars

ATTORNEY:

Patrick Glover

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1-2

Schedule of Prior Audit Findings 3

Schedule of Current Audit Findings 4-6

Independent Auditor's Report 7-8

BASIC FINANCIAL STATEMENTS:

As of and For the Year Ended December 31, 2019:

Government-Wide Financial Statements:

Statement of Net Position 9

Statement of Activities 10

Fund Financial Statements:

Governmental Funds:

Balance Sheet 11

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 12

Statement of Revenues, Expenditures, and Changes In Fund Balances 13-15

Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities 16

Proprietary Funds:

Statement of Net Position 17

Statement of Revenues, Expenses, and Changes in Fund Net Position 18

Statement of Cash Flows 19-20

As of and For the Year Ended December 31, 2018:

Government-Wide Financial Statements:

Statement of Net Position 21

Statement of Activities 22

Fund Financial Statements:

Governmental Funds:

Balance Sheet 23

TABLE OF CONTENTS
(Continued)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 24

Statement of Revenues, Expenditures, and Changes In Fund Balances 25-27

Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities 28

Proprietary Funds:

Statement of Net Position 29

Statement of Revenues, Expenses, and Changes in Fund Net Position 30

Statement of Cash Flows 31-32

Notes to the Financial Statements 33-54

Required Supplementary Information Other than MD&A:

For the Year Ended December 31, 2019:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund 55-56

Street Assessment Fund 57

Third Penny Sales Tax Fund 58

For the Year Ended December 31, 2018:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund 59-60

Street Assessment Fund 61

Third Penny Sales Tax Fund 62

Notes to the Required Supplementary Information – Budgetary Comparison Schedules 63

Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) 64

Schedule of the Municipality Contributions - South Dakota Retirement System 65

Notes to the Supplementary Information – Pension Schedules 66

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Humboldt
Humboldt, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Humboldt, South Dakota (Municipality), as of December 31, 2019 and December 31, 2018, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 31, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* which are described in the accompanying Schedule of Current Audit Findings as item 2019-003.

Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
August 31, 2020

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2017-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2019-001.

Finding Number 2017-002:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This comment has not been corrected and is restated as current audit finding number 2019-002.

Finding Number 2017-003:

The budget was overspent for the Third Penny Fund in 2017. Expenditures were in excess of the amounts budgeted in several departments in the General Fund for 2016 and 2017 and in the Third Penny Fund for 2017. This comment has not been corrected and is restated as current audit finding number 2019-003.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2019-001:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 2003.

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

Condition:
The Finance Officer processes all revenue transactions from beginning to end. The a Finance Officer also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:
As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:
1. We recommend that the Municipality of Humboldt officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:
The Municipality of Humboldt President, Adam Lund, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Humboldt, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

Finding Number 2019-002:
A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This has been a continuing audit comment since 2013.

Criteria:
Accurate and complete financial information must be presented to be useful to the users of these statements.

SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Condition:
Significant errors and omissions were noted in the annual financial statements. The errors and omissions include:

a. Customer Deposits were not adjusted to actual in the Water, Sewer, and Natural Gas Funds.
b. Bonds Payable were not adjusted to actual in the Sewer Fund.
c. Capital assets were not adjusted in the General Capital Asset Group.
d. Special Assessments and nuisance property were not adjusted to actual.
e. Front Footage Accounts Receivable was not adjusted in the Front Foot Street Assessment Fund.

The financial statements in this report have been adjusted to take into account the errors and omissions.

Effect:
As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:
2. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles.

Management's Response:
The Municipality of Humboldt President, Adam Lund, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

Compliance – Related Finding:

Finding Number 2019-003:
The budget was overspent for the Third Penny Fund in 2018. Expenditures were excess of the amounts budgeted in several departments in the General Fund for 2018 and 2019 and in the Third Penny Fund for 2018. This has been a continuing audit comment since 2005.

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

SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

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

Effect:
Without adopting a budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

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

Management's Response:
The Municipality of Humboldt President, Adam Lund, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the board president and finance officer on September 8, 2020.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-6241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Humboldt
Humboldt, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Humboldt, South Dakota, (Municipality) as of December 31, 2019 and December 31, 2018, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and each major fund of the Municipality of Humboldt as of December 31, 2019 and December 31, 2018, and the results of its operations and the cash flows were applicable, for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 55 through 62, 64, and 65, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 31, 2020, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
August 31, 2020

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	514,514.19	552,193.23	1,066,707.42
Investments		52,005.00	52,005.00
Accounts Receivable, Net	102,460.02	78,303.50	180,763.52
Net Pension Asset	196.78	287.89	484.67
Capital Assets:			
Land	58,500.00	1,970,958.40	2,029,458.40
Other Capital Assets, Net of Depreciation	843,147.91	2,802,892.73	3,646,040.64
TOTAL ASSETS	1,518,818.90	5,456,640.75	6,975,459.65
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	9,475.22	13,862.76	23,337.98
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,475.22	13,862.76	23,337.98
LIABILITIES :			
Other Current Liabilities		9,825.00	9,825.00
Unearned Revenue	518.93		518.93
Noncurrent Liabilities:			
Due Within One Year	27,444.80	92,738.88	120,183.68
Due in More than One Year	266,780.71	1,592,662.57	1,859,443.28
TOTAL LIABILITIES	294,744.44	1,695,226.45	1,989,970.89
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	5,585.03	8,171.21	13,756.24
TOTAL DEFERRED INFLOWS OF RESOURCES	5,585.03	8,171.21	13,756.24
NET POSITION:			
Net Investment in Capital Assets	610,743.69	3,087,672.33	3,698,416.02
Restricted for:			
Capital Projects Purposes	104,818.76		104,818.76
Debt Service Purposes	204,807.81	36,140.00	240,947.81
SDRS Pension Purposes	4,086.97	5,979.44	10,066.41
Economic Development Purposes	2,400.00		2,400.00
Park Purposes	70,951.83		70,951.83
Equipment Repair Replacement		154,757.75	154,757.75
Unrestricted (Deficit)	230,155.59	482,556.33	712,711.92
TOTAL NET POSITION	1,227,964.65	3,767,105.85	4,995,070.50

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	183,678.66	9,298.44			(174,380.22)		(174,380.22)
Public Safety	31,226.53				(31,226.53)		(31,226.53)
Public Works	147,448.23	400.00			(147,048.23)		(147,048.23)
Health and Welfare	10,262.82		17,473.06	47,806.76	55,017.00		55,017.00
Culture and Recreation	113,186.71	4,015.00	781.00		(108,390.71)		(108,390.71)
Conservation and Development	3,104.30				(3,104.30)		(3,104.30)
Miscellaneous	2,215.66				(2,215.66)		(2,215.66)
*Interest on Long-term Debt	17,341.52				(17,341.52)		(17,341.52)
Total Governmental Activities	508,464.43	13,713.44	18,254.06	47,806.76	(428,690.17)		(428,690.17)
Business-type Activities:							
Water	96,672.12	140,270.35				43,598.23	43,598.23
Sewer	153,620.99	147,115.81		935,827.07		929,321.89	929,321.89
Natural Gas	264,576.01	386,967.30				122,391.29	122,391.29
Total Business-type Activities	514,869.12	674,353.46	0.00	935,827.07		1,095,311.41	1,095,311.41
Total Primary Government	1,023,333.55	688,066.90	18,254.06	983,633.83	(428,690.17)	1,095,311.41	666,621.24
General Revenues:							
Taxes:							
Property Taxes					165,458.95		165,458.95
Sales Taxes					234,798.48		234,798.48
State Shared Revenues					8,587.92		8,587.92
Grants and Contributions not Restricted to Specific Programs					2,095.00		2,095.00
Unrestricted Investment Earnings					942.26	1,550.32	2,492.58
Miscellaneous Revenue					16,800.41	1,500.00	18,300.41
Total General Revenues					428,683.02	3,050.32	431,733.34
Change in Net Position					(7.15)	1,098,361.73	1,098,354.58
Net Position - Beginning					1,227,971.80	2,668,744.12	3,896,715.92
NET POSITION - ENDING					1,227,964.65	3,767,105.85	4,995,070.50

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect expense on general long-term debt.

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

MUNICIPALITY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	199,248.88	13,053.56	99,153.86	69,434.39	2,400.00	131,223.50	514,514.19
Taxes Receivable--Delinquent	20,076.07						20,076.07
Accounts Receivable, Net			5,664.90				5,664.90
Special Assessments Receivable--Current						9,360.15	9,360.15
Special Assessments Receivable--Delinquent	7,658.55					50,502.96	58,161.51
Interest Receivable--Special Assessments						667.64	667.64
Due from Other Governments	7,012.31			1,517.44			8,529.75
TOTAL ASSETS	233,995.81	13,053.56	104,818.76	70,951.83	2,400.00	191,754.25	616,974.21
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Unearned Revenue	518.93						518.93
Total Liabilities	518.93	0.00	0.00	0.00	0.00	0.00	518.93
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	20,076.07						20,076.07
Unavailable Revenue--Special Assessments	7,658.55					60,530.75	68,189.30
Total Deferred Inflows of Resources	27,734.62	0.00	0.00	0.00	0.00	60,530.75	88,265.37
Fund Balances:							
Restricted for Capital Projects			104,818.76				104,818.76
Restricted for Debt Service		13,053.56				131,223.50	144,277.06
Restricted for Parks Purposes				70,951.83			70,951.83
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,976.64						1,976.64
Unassigned	203,765.62						203,765.62
Total Fund Balances	205,742.26	13,053.56	104,818.76	70,951.83	2,400.00	131,223.50	528,189.91
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	233,995.81	13,053.56	104,818.76	70,951.83	2,400.00	191,754.25	616,974.21

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

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

Total Fund Balances - Governmental Funds	528,189.91
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	196.78
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	901,647.91
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	9,475.22
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	(294,225.51)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	88,265.37
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(5,585.03)
Net Position - Governmental Activities	1,227,964.65

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	158,782.65						158,782.65
General Sales and Use Taxes	216,255.83			18,542.65			234,798.48
Amusement Taxes	384.00						384.00
Penalties and Interest on Delinquent Taxes	342.67						342.67
Licenses and Permits	6,421.25						6,421.25
Intergovernmental Revenue:							
State Grants	781.00						781.00
State Shared Revenue:							
Bank Franchise Tax	4,749.35						4,749.35
Prorate License Fees	289.19						289.19
Liquor Tax Reversion	3,838.57						3,838.57
Motor Vehicle Licenses	6,567.81						6,567.81
Local Government Highway and Bridge Fund	9,484.26						9,484.26
County Shared Revenue:							
County Wheel Tax	1,131.80						1,131.80
Charges for Goods and Services:							
General Government	2,877.19						2,877.19
Sanitation	400.00						400.00
Miscellaneous Revenue:							
Investment Earnings	942.26						942.26
Rentals	4,015.00						4,015.00
Special Assessments						21,462.35	21,462.35
Maintenance Assessments			39,222.07				39,222.07
Contributions and Donations from Private Sources	2,095.00						2,095.00
Other	16,123.81						16,123.81
Total Revenue	435,481.64	0.00	39,222.07	18,542.65	0.00	21,462.35	514,708.71

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	14,642.22						14,642.22
Financial Administration	50,632.92						50,632.92
Other	108,773.91						108,773.91
Total General Government	174,049.05	0.00	0.00	0.00	0.00	0.00	174,049.05
Public Safety:							
Police	21,528.59						21,528.59
Fire	9,354.61						9,354.61
Total Public Safety	30,883.20	0.00	0.00	0.00	0.00	0.00	30,883.20
Public Works:							
Highways and Streets	84,589.66		28,304.91				112,894.57
Sanitation	2,150.69						2,150.69
Natural Gas	3,286.35						3,286.35
Total Public Works	90,026.70	0.00	28,304.91	0.00	0.00	0.00	118,331.61
Health and Welfare:							
Humane Society	826.82						826.82
Ambulance	9,436.00						9,436.00
Total Health and Welfare	10,262.82	0.00	0.00	0.00	0.00	0.00	10,262.82
Culture and Recreation:							
Recreation	5,136.96						5,136.96
Parks	77,034.17						77,034.17
Auditorium	13,521.45						13,521.45
Museums	1,486.28						1,486.28
Total Culture and Recreation	97,178.86	0.00	0.00	0.00	0.00	0.00	97,178.86
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	3,104.30						3,104.30
Total Conservation and Development	3,104.30	0.00	0.00	0.00	0.00	0.00	3,104.30
Debt Service	26,580.16	0.00	0.00	8,016.00	0.00	7,389.47	41,985.63
Capital Outlay	8,400.00	0.00	0.00	0.00	0.00	0.00	8,400.00

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures (Continued):							
Miscellaneous:							
Other Expenditures	2,215.66						2,215.66
Total Miscellaneous	2,215.66	0.00	0.00	0.00	0.00	0.00	2,215.66
Total Expenditures	442,700.75	0.00	28,304.91	8,016.00	0.00	7,389.47	486,411.13
Excess of Revenue Over (Under) Expenditures	(7,219.11)	0.00	10,917.16	10,526.65	0.00	14,072.88	28,297.58
Other Financing Sources (Uses):							
Sale of Municipal Property	676.60						676.60
Total Other Financing Sources (Uses)	676.60	0.00	0.00	0.00	0.00	0.00	676.60
Net Change in Fund Balances	(6,542.51)	0.00	10,917.16	10,526.65	0.00	14,072.88	28,974.18
Fund Balance - Beginning	212,284.77	13,053.56	93,901.60	60,425.18	2,400.00	117,150.62	499,215.73
FUND BALANCE - ENDING	205,742.26	13,053.56	104,818.76	70,951.83	2,400.00	131,223.50	528,189.91

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

MUNICIPALITY OF HUMBOLDT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	28,974.18
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	8,400.00
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(48,037.94)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	24,644.11
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	5,949.63
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(12,877.66)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(1,881.07)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	635.21
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(5,813.61)
Change in Net Position of Governmental Activities	(7.15)

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	139,519.95	205,944.12	206,729.16	552,193.23
Investments	34,200.00	17,805.00		52,005.00
Accounts Receivable, Net	12,981.67	12,852.16	52,469.67	78,303.50
Total Current Assets	186,701.62	236,601.28	259,198.83	682,501.73
Noncurrent Assets:				
Net Pension Asset	75.12	75.12	137.65	287.89
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	888,339.32	2,011,204.05	699,689.43	3,599,232.80
Machinery and Equipment	120,653.37	33,534.38	30,032.81	184,220.56
Construction Work in Progress		1,908,708.40		1,908,708.40
Less: Accumulated Depreciation	(380,692.76)	(296,030.61)	(303,837.26)	(980,560.63)
Total Noncurrent Assets	630,625.05	3,717,491.34	426,022.63	4,774,139.02
TOTAL ASSETS	817,326.67	3,954,092.62	685,221.46	5,456,640.75
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	3,617.39	3,617.39	6,627.98	13,862.76
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,617.39	3,617.39	6,627.98	13,862.76
LIABILITIES:				
Current Liabilities:				
Customer Deposits	4,325.00	2,200.00	3,300.00	9,825.00
Bonds Payable Current:				
Revenue	25,257.42	7,281.46	60,000.00	92,538.88
Total Current Liabilities	29,582.42	9,481.46	63,300.00	102,363.88
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	329,369.35	1,197,020.57	65,000.00	1,591,389.92
Accrued Leave Payable			1,472.65	1,472.65
Total Noncurrent Liabilities	329,369.35	1,197,020.57	66,472.65	1,592,862.57
TOTAL LIABILITIES	358,951.77	1,206,502.03	129,772.65	1,695,226.45
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	2,132.22	2,132.22	3,906.77	8,171.21
TOTAL DEFERRED INFLOWS OF RESOURCES	2,132.22	2,132.22	3,906.77	8,171.21
NET POSITION:				
Net Investment in Capital Assets	273,673.16	2,513,114.19	300,884.98	3,087,672.33
Restricted For:				
Revenue Bond Debt Service	36,140.00			36,140.00
Equipment Repair and/or Replacement	6,000.00	111,500.00	37,257.75	154,757.75
SDRS Pension Purposes	1,560.29	1,560.29	2,858.86	5,979.44
Unrestricted	142,486.62	122,901.28	217,168.43	482,556.33
TOTAL NET POSITION	459,860.07	2,749,075.76	558,170.02	3,767,105.85

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

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	71,021.69	32,526.37	383,538.30	487,086.36
Revenue Dedicated to Servicing Debt	69,098.66	114,589.44		183,688.10
Miscellaneous	150.00		3,429.00	3,579.00
Total Operating Revenue	140,270.35	147,115.81	386,967.30	674,353.46
Operating Expenses:				
Personal Services	29,844.72	29,716.70	57,173.05	116,734.47
Other Current Expense	10,138.43	70,761.68	87,381.67	168,281.78
Materials (Cost of Goods Sold)	28,261.14		96,159.35	124,420.49
Depreciation	22,200.99	42,387.23	15,482.50	80,070.72
Total Operating Expenses	90,445.28	142,865.61	256,196.57	489,507.46
Operating Income (Loss)	49,825.07	4,250.20	130,770.73	184,846.00
Nonoperating Revenue (Expense):				
Investment Earnings	189.65	204.65	1,156.02	1,550.32
Rental Revenue	1,500.00			1,500.00
Interest Expense	(6,226.84)	(10,755.38)	(8,379.44)	(25,361.66)
Total Nonoperating Revenue (Expense)	(4,537.19)	(10,550.73)	(7,223.42)	(22,311.34)
Income (Loss) Before Contributions	45,287.88	(6,300.53)	123,547.31	162,534.66
Capital Contributions		935,827.07		935,827.07
Change in Net Position	45,287.88	929,526.54	123,547.31	1,098,361.73
Net Position - Beginning	414,572.19	1,819,549.22	434,622.71	2,668,744.12
NET POSITION - ENDING	459,860.07	2,749,075.76	558,170.02	3,767,105.85

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	139,132.34	148,143.00	375,651.93	662,927.27
Cash Payments to Employees for Services	(26,351.18)	(26,223.16)	(56,874.65)	(109,448.99)
Cash Payments to Suppliers of Goods and Services	(40,304.14)	(70,978.32)	(185,996.03)	(297,278.49)
Net Cash Provided (Used) by Operating Activities	72,477.02	50,941.52	132,781.25	256,199.79
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	111,477.00	877,791.00		989,268.00
Capital Contributions		935,827.07		935,827.07
Purchase of Capital Assets	(108,216.00)	(1,908,708.40)	(15,155.00)	(2,032,079.40)
Principal Paid on Capital Debt	(18,413.69)	(7,049.54)	(120,000.00)	(145,463.23)
Interest Paid on Capital Debt	(6,226.84)	(10,755.38)	(8,379.44)	(25,361.66)
Other Receipts (Payments)	1,500.00			1,500.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,879.53)	(112,895.25)	(143,534.44)	(276,309.22)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	189.65	204.65	1,156.02	1,550.32
Net Cash Provided (Used) by Investing Activities	189.65	204.65	1,156.02	1,550.32
Net Increase (Decrease) in Cash and Cash Equivalents	52,787.14	(61,749.08)	(9,597.17)	(18,559.11)
Balances - Beginning	120,932.81	285,498.20	216,326.33	622,757.34
Balances - Ending	173,719.95	223,749.12	206,729.16	604,198.23

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2019

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	49,825.07	4,250.20	130,770.73	184,846.00
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	22,200.99	42,387.23	15,482.50	80,070.72
(Increase) decrease in Receivables	(1,113.01)	127.19	(12,665.37)	(13,651.19)
(Increase) decrease in Net Pension Asset	(53.63)	(53.63)	(130.49)	(237.75)
(Increase) decrease in Pension Related Deferred Outflows	3,608.20	3,608.20	(4,219.45)	2,996.95
(Decrease) increase in Accounts and Other Payables	(1,904.57)	(216.64)	(2,455.01)	(4,576.22)
(Decrease) increase in Accrued Leave Payable			1,472.65	1,472.65
(Decrease) increase in Customer Deposits	(25.00)	900.00	1,350.00	2,225.00
(Decrease) increase in Pension Related Deferred Inflows	(61.03)	(61.03)	3,175.69	3,053.63
Net Cash Provided (Used) by Operating Activities	72,477.02	50,941.52	132,781.25	256,199.79

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	503,735.50	570,752.34	1,074,487.84
Investments		52,005.00	52,005.00
Accounts Receivable, Net	99,359.10	64,652.31	164,011.41
Net Pension Asset	39.41	50.14	89.55
Capital Assets:			
Land and Construction Work in Progress	58,500.00	62,250.00	120,750.00
Other Capital Assets, Net of Depreciation	882,785.85	2,759,592.45	3,642,378.30
TOTAL ASSETS	1,544,419.86	3,509,302.24	5,053,722.10
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	13,246.91	16,859.71	30,106.62
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,246.91	16,859.71	30,106.62
LIABILITIES :			
Accounts Payable	6,469.99	2,505.26	8,975.25
Other Current Liabilities	1,674.86	9,670.96	11,345.82
Unearned Revenue	540.62		540.62
Noncurrent Liabilities:			
Due Within One Year	26,084.33	80,463.26	106,547.59
Due in More than One Year	290,904.22	759,660.77	1,050,564.99
TOTAL LIABILITIES	325,674.02	852,300.25	1,177,974.27
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	4,020.95	5,117.58	9,138.53
TOTAL DEFERRED INFLOWS OF RESOURCES	4,020.95	5,117.58	9,138.53
NET POSITION:			
Net Investment in Capital Assets	625,737.52	1,981,718.42	2,607,455.94
Restricted for:			
Capital Projects Purposes	93,901.60		93,901.60
Debt Service Purposes	203,612.59	36,140.00	239,752.59
SDRS Pension Purposes	9,265.37	11,792.27	21,057.64
Park Purposes	60,425.18		60,425.18
Economic Development Purposes	2,400.00		2,400.00
Equipment Repair Replacement		154,757.75	154,757.75
Unrestricted (Deficit)	232,629.54	484,335.68	716,965.22
TOTAL NET POSITION	1,227,971.80	2,668,744.12	3,896,715.92

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	106,874.65	8,797.38			(98,077.27)		(98,077.27)
Public Safety	35,019.67				(35,019.67)		(35,019.67)
Public Works	123,066.51	100.00	24,998.03	58,177.46	(39,791.02)		(39,791.02)
Health and Welfare	10,145.21		886.00		(9,259.21)		(9,259.21)
Culture and Recreation	83,087.72	3,225.00	2,330.00		(77,532.72)		(77,532.72)
Conservation and Development	3,077.80				(3,077.80)		(3,077.80)
Miscellaneous	3,491.24				(3,491.24)		(3,491.24)
*Interest on Long-term Debt	31,390.26				(31,390.26)		(31,390.26)
Total Governmental Activities	396,153.06	12,122.38	28,214.03	58,177.46	(297,639.19)		(297,639.19)
Business-type Activities:							
Water	93,476.55	125,480.16				32,003.61	32,003.61
Sewer	109,469.28	118,131.33				8,662.05	8,662.05
Natural Gas	217,971.39	322,649.44				104,678.05	104,678.05
Total Business-type Activities	420,917.22	566,260.93	0.00	0.00		145,343.71	145,343.71
Total Primary Government	817,070.28	578,383.31	28,214.03	58,177.46	(297,639.19)	145,343.71	(152,295.48)
General Revenues:							
Taxes:							
Property Taxes					230,142.18		230,142.18
Sales Taxes					210,632.57		210,632.57
State Shared Revenues					8,433.98		8,433.98
Unrestricted Investment Earnings					848.53		848.53
Miscellaneous Revenue					40,945.65	1,500.00	42,445.65
Total General Revenues					491,002.91	1,500.00	492,502.91
Change in Net Position					193,363.72	146,843.71	340,207.43
Net Position - Beginning					1,062,439.77	2,494,068.72	3,556,508.49
Adjustments:							
To Correct Beginning Cash Balance					(27,831.69)	27,831.69	0.00
Adjusted Net Position-Beginning					1,034,608.08	2,521,900.41	3,556,508.49
NET POSITION - ENDING					1,227,971.80	2,668,744.12	3,896,715.92

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect expense on general long-term debt.

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

MUNICIPALITY OF HUMBOLDT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	220,970.24	13,053.56	89,735.90	60,425.18	2,400.00	117,150.62	503,735.50
Taxes Receivable--Delinquent	14,126.44						14,126.44
Accounts Receivable, Net			4,165.70				4,165.70
Special Assessments Receivable--Current						10,128.61	10,128.61
Special Assessments Receivable--Delinquent	7,658.55					63,279.80	70,938.35
TOTAL ASSETS	242,755.23	13,053.56	93,901.60	60,425.18	2,400.00	190,559.03	603,094.60
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts Payable	6,469.99						6,469.99
Accrued Taxes Payable	1,674.86						1,674.86
Unearned Revenue	540.62						540.62
Total Liabilities	8,685.47	0.00	0.00	0.00	0.00	0.00	8,685.47
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	14,126.44						14,126.44
Unavailable Revenue--Special Assessments	7,658.55					73,408.41	81,066.96
Total Deferred Inflows of Resources	21,784.99	0.00	0.00	0.00	0.00	73,408.41	95,193.40
Fund Balances:							
Restricted for Capital Projects			93,901.60				93,901.60
Restricted for Debt Service		13,053.56				117,150.62	130,204.18
Restricted for Parks Purposes				60,425.18			60,425.18
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,975.68						1,975.68
Unassigned	210,309.09						210,309.09
Total Fund Balances	212,284.77	13,053.56	93,901.60	60,425.18	2,400.00	117,150.62	499,215.73
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	242,755.23	13,053.56	93,901.60	60,425.18	2,400.00	190,559.03	603,094.60

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

MUNICIPALITY OF HUMBOLDT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total Fund Balances - Governmental Funds	499,215.73
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	39.41
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	941,285.85
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	13,246.91
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	(316,988.55)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	95,193.40
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(4,020.95)
Net Position - Governmental Activities	1,227,971.80

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Revenues:							
Taxes:							
General Property Taxes	155,834.66					66,226.35	222,061.01
General Sales and Use Taxes	192,524.92			18,107.65			210,632.57
Amusement Taxes	324.00						324.00
Penalties and Interest on Delinquent Taxes	77.06					3,349.53	3,426.59
Licenses and Permits	5,602.50						5,602.50
Intergovernmental Revenue:							
State Grants	886.00						886.00
State Shared Revenue:							
Bank Franchise Tax	4,729.39						4,729.39
Prorate License Fees	735.15						735.15
Liquor Tax Reversion	3,704.59						3,704.59
Motor Vehicle Licenses	8,757.04						8,757.04
Local Government Highway and Bridge Fund	13,858.10						13,858.10
County Shared Revenue:							
County Wheel Tax	1,647.74						1,647.74
Charges for Goods and Services:							
General Government	3,194.88						3,194.88
Highways & Streets	100.00						100.00
Miscellaneous Revenue:							
Investment Earnings	848.53						848.53
Rentals	3,225.00						3,225.00
Maintenance Assessments			43,155.89				43,155.89
Contributions and Donations from Private Sources	2,330.00						2,330.00
Other	39,901.24						39,901.24
Total Revenue	438,280.80	0.00	43,155.89	18,107.65	0.00	69,575.88	569,120.22

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures:							
General Government:							
Legislative	14,435.94						14,435.94
Elections	96.26						96.26
Financial Administration	69,892.28						69,892.28
Other	15,935.25						15,935.25
Total General Government	100,359.73	0.00	0.00	0.00	0.00	0.00	100,359.73
Public Safety:							
Police	25,531.22						25,531.22
Fire	9,145.12						9,145.12
Total Public Safety	34,676.34	0.00	0.00	0.00	0.00	0.00	34,676.34
Public Works:							
Highways and Streets	94,176.74						94,176.74
Sanitation	1,518.73						1,518.73
Total Public Works	95,695.47	0.00	0.00	0.00	0.00	0.00	95,695.47
Health and Welfare:							
Humane Society	677.21						677.21
Ambulance	9,468.00						9,468.00
Total Health and Welfare	10,145.21	0.00	0.00	0.00	0.00	0.00	10,145.21
Culture and Recreation:							
Recreation	4,864.38						4,864.38
Parks	31,802.01						31,802.01
Auditorium	24,769.62						24,769.62
Museums	1,439.38						1,439.38
Total Culture and Recreation	62,875.39	0.00	0.00	0.00	0.00	0.00	62,875.39
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	1,544.20			1,533.60			3,077.80
Total Conservation and Development	1,544.20	0.00	0.00	1,533.60	0.00	0.00	3,077.80
Debt Service	26,580.16	0.00	16,076.13	8,016.00	0.00	4,095.00	54,767.29

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
Expenditures (Continued):							
Capital Outlay	53,530.58	0.00	0.00	0.00	0.00	0.00	53,530.58
Miscellaneous:							
Other Expenditures	3,491.24						3,491.24
Total Miscellaneous	3,491.24	0.00	0.00	0.00	0.00	0.00	3,491.24
Total Expenditures	388,898.32	0.00	16,076.13	9,549.60	0.00	4,095.00	418,619.05
Excess of Revenue Over (Under) Expenditures	49,382.48	0.00	27,079.76	8,558.05	0.00	65,480.88	150,501.17
Other Financing Sources (Uses):							
Sale of Municipal Property	1,044.41						1,044.41
Total Other Financing Sources (Uses)	1,044.41	0.00	0.00	0.00	0.00	0.00	1,044.41
Net Change in Fund Balances	50,426.89	0.00	27,079.76	8,558.05	0.00	65,480.88	151,545.58
Fund Balance - Beginning	189,689.57	13,053.56	66,821.84	51,867.13	2,400.00	51,669.74	375,501.84
Adjustments:							
To Correct Beginning Cash Balance	(27,831.69)						(27,831.69)
Adjusted Fund Balance - Beginning	161,857.88	13,053.56	66,821.84	51,867.13	2,400.00	51,669.74	347,670.15
FUND BALANCE - ENDING	212,284.77	13,053.56	93,901.60	60,425.18	2,400.00	117,150.62	499,215.73

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

MUNICIPALITY OF HUMBOLDT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	151,545.58
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	53,530.58
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(47,800.38)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(4,531.50)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	23,377.03
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	4,330.58
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	15,021.57
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(167.61)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	89.43
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(2,031.56)
Change in Net Position of Governmental Activities	193,363.72

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	86,732.81	267,693.20	216,326.33	570,752.34
Investments	34,200.00	17,805.00		52,005.00
Accounts Receivable, Net	11,868.66	12,979.35	39,804.30	64,652.31
Total Current Assets	132,801.47	298,477.55	256,130.63	687,409.65
Noncurrent Assets:				
Net Pension Asset	21.49	21.49	7.16	50.14
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	865,396.32	2,011,204.05	699,689.43	3,576,289.80
Machinery and Equipment	35,380.37	33,534.38	14,877.81	83,792.56
Less: Accumulated Depreciation	(358,491.77)	(253,643.38)	(288,354.76)	(900,489.91)
Total Noncurrent Assets	544,556.41	1,851,116.54	426,219.64	2,821,892.59
TOTAL ASSETS	677,357.88	2,149,594.09	682,350.27	3,509,302.24
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	7,225.59	7,225.59	2,408.53	16,859.71
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,225.59	7,225.59	2,408.53	16,859.71
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,904.57	216.64	384.05	2,505.26
Due to Other Government			2,070.96	2,070.96
Customer Deposits	4,350.00	1,300.00	1,950.00	7,600.00
Bonds Payable Current:				
Revenue	18,413.72	7,049.54	55,000.00	80,463.26
Total Current Liabilities	24,668.29	8,566.18	59,405.01	92,639.48
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	243,149.74	326,511.03	190,000.00	759,660.77
Total Noncurrent Liabilities	243,149.74	326,511.03	190,000.00	759,660.77
TOTAL LIABILITIES	267,818.03	335,077.21	249,405.01	852,300.25
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	2,193.25	2,193.25	731.08	5,117.58
TOTAL DEFERRED INFLOWS OF RESOURCES	2,193.25	2,193.25	731.08	5,117.58
NET POSITION:				
Net Investment in Capital Assets	282,971.46	1,517,534.48	181,212.48	1,981,718.42
Restricted For:				
Revenue Bond Debt Service	36,140.00			36,140.00
Equipment Repair and/or Replacement	6,000.00	111,500.00	37,257.75	154,757.75
SDRS Pension Purposes	5,053.83	5,053.83	1,684.61	11,792.27
Unrestricted	84,406.90	185,460.91	214,467.87	484,335.68
TOTAL NET POSITION	414,572.19	1,819,549.22	434,622.71	2,668,744.12

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
Operating Revenue:				
Charges for Goods and Services	87,902.85	57,995.57	321,010.17	466,908.59
Revenue Dedicated to Servicing Debt	37,274.85	60,135.76		97,410.61
Miscellaneous	302.46		1,639.27	1,941.73
Total Operating Revenue	125,480.16	118,131.33	322,649.44	566,260.93
Operating Expenses:				
Personal Services	24,171.61	24,120.79	38,757.09	87,049.49
Other Current Expense	17,324.52	31,546.81	45,722.05	94,593.38
Materials (Cost of Goods Sold)	23,183.58		107,090.40	130,273.98
Depreciation	16,790.18	42,387.22	13,967.00	73,144.40
Total Operating Expenses	81,469.89	98,054.82	205,536.54	385,061.25
Operating Income (Loss)	44,010.27	20,076.51	117,112.90	181,199.68
Nonoperating Revenue (Expense):				
Rental Revenue	1,500.00			1,500.00
Interest Expense	(11,354.19)	(10,989.84)	(10,840.00)	(33,184.03)
Other	(652.47)	(424.62)	(1,594.85)	(2,671.94)
Total Nonoperating Revenue (Expense)	(10,506.66)	(11,414.46)	(12,434.85)	(34,355.97)
Income (Loss) Before Contributions	33,503.61	8,662.05	104,678.05	146,843.71
Change in Net Position	33,503.61	8,662.05	104,678.05	146,843.71
Net Position - Beginning	381,068.58	1,810,887.17	302,112.97	2,494,068.72
Adjustments:				
To Correct Beginning Cash Balance			27,831.69	27,831.69
Adjusted Net Position - Beginning	381,068.58	1,810,887.17	329,944.66	2,521,900.41
NET POSITION - ENDING	414,572.19	1,819,549.22	434,622.71	2,668,744.12

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	135,795.15	115,505.05	334,446.20	585,746.40
Cash Payments to Employees for Services	(22,921.22)	(22,870.40)	(36,238.89)	(82,030.51)
Cash Payments to Suppliers of Goods and Services	(43,115.55)	(31,858.44)	(157,657.33)	(232,631.32)
Net Cash Provided (Used) by Operating Activities	69,758.38	60,776.21	140,549.98	271,084.57
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(29,713.36)	(6,726.43)	(50,000.00)	(86,439.79)
Interest Paid on Capital Debt	(11,354.19)	(10,989.84)	(10,840.00)	(33,184.03)
Other Receipts (Payments)	847.54	(424.62)	(1,594.85)	(1,171.93)
Net Cash Provided (Used) by Capital and Related Financing Activities	(40,220.01)	(18,140.89)	(62,434.85)	(120,795.75)
Net Increase (Decrease) in Cash and Cash Equivalents	29,538.37	42,635.32	78,115.13	150,288.82
Balances - Beginning	91,394.44	242,862.88	110,379.51	444,636.83
Adjustment:				
To Correct Beginning Cash Balances			27,831.69	27,831.69
Adjusted Balances - Beginning	91,394.44	242,862.88	138,211.20	472,468.52
Balances - Ending	120,932.81	285,498.20	216,326.33	622,757.34

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

MUNICIPALITY OF HUMBOLDT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Enterprise Funds			
	Water Fund	Sewer Fund	Natural Gas Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	44,010.27	20,076.51	117,112.90	181,199.68
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	16,790.18	42,387.22	13,967.00	73,144.40
(Increase) decrease in Receivables	11,189.99	(3,276.28)	10,821.76	18,735.47
(Increase) decrease in Net Pension Asset	47.72	47.72	38.98	134.42
(Increase) decrease in Pension Related Deferred Outflows	340.05	340.05	2,635.23	3,315.33
(Decrease) increase in Accounts and Other Payables	(2,607.45)	(311.63)	(4,844.88)	(7,763.96)
(Decrease) increase in Customer Deposits	(875.00)	650.00	975.00	750.00
(Decrease) increase in Pension Related Deferred Inflows	862.62	862.62	(156.01)	1,569.23
Net Cash Provided (Used) by Operating Activities	69,758.38	60,776.21	140,549.98	271,084.57

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Governmental Funds:

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

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

Special Assessment Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of the cost of such improvement assumed by the municipality and to advance the portion of such cost ultimately to be paid from collections of assessments. (SDCL 9-43-69) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

Third Penny Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the city. (SDCL 10-52A-2) This is a major fund.

Grant Revolving Loan Fund – to account for federal grants that, when given to the Municipality, are subsequently loaned out to a new business to be repaid over a period of years. This is a major fund.

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

6th Avenue Debt Service Fund – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This is a major fund.

Proprietary Funds:

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Natural Gas Fund – financed primarily by user charges, this fund is to account for the construction and operation of a natural gas system. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Humboldt, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2019 and 2018 are sales tax and miscellaneous revenue.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Deposits and Investments:

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

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

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

Government-Wide Statements

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

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	$ -	- - N/A - -	- - N/A - -
Improvements other than Buildings	$ 5,000.00	Straight-line	30-100 yrs.
Buildings	$ 5,000.00	Straight-line	20-100 yrs.
Machinery & Equipment	$ 2,000.00	Straight-line	10-100 yrs.
Infrastructure	$ 5,000.00	Straight-line	30-100 yrs.
Utility Property and Improvements	$ 5,000.00	Straight-line	30-100 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, special assessment bonds, and notes payable.

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

h. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

m. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

n. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

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

Major Special Revenue Fund	Revenue Source
Special Assessment Fund	Property Taxes
Street Assessment Fund	Street Assessments
Third Penny Sales Tax Fund	Sales Tax
Grant Revolving Loan Fund	Grants

o. Pensions:

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

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

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

	Year Ended 12/31/2018	Year Ended 12/31/2019
General Fund:		
Recreation	$ 11,343.38	
Debt Service	$ 26,580.16	$ 26,580.16
Humane Society		$ 26.82
Other Expense	$ 3,491.24	$ 2,215.66
Third Penny Sales Tax Fund:		
Economic Development	$ 1,533.60	

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 9-22-6, 6-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

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

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

As of December 31, 2018 and 2019, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices. As of December 31, 2019, the Municipality's investment in the SD FIT pool was unrated.

As of December 31, 2018 and 2019, the Municipality had the following investments. Except for the investment in SDFIT, all investments are in an internal deposit and investment pool.

Investment	Credit Rating	12/31/2019 Fair Value	12/31/2018 Fair Value
External Investment Pools:			
SDFIT	Unrated	$ 63,609.55	$ 62,453.53
TOTAL INVESTMENTS		$ 63,609.55	$ 62,453.53

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

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer. More that 5 percent of the Municipality's investments are in SDFIT, 100%.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the General Fund, Liquor Fund, and Natural Gas Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Income from deposits, not recorded to other funds, is immaterial.

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are not material.

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

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

6. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2019
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	58,500.00			58,500.00
Total, not being depreciated	58,500.00	0.00	0.00	58,500.00
Capital Assets, being Depreciated:				
Buildings	676,633.81	24,596.88		701,230.69
Improvements Other Than Buildings	549,420.58	16,318.70		565,739.28
Machinery and Equipment	265,972.20	21,015.00	(5,035.00)	281,952.20
Total, being depreciated	1,492,026.59	61,930.58	(5,035.00)	1,548,922.17
Less Accumulated Depreciation for:				
Buildings	(185,816.19)	(17,779.66)		(203,595.85)
Improvements Other Than Buildings	(259,537.95)	(50,486.32)		(310,024.27)
Machinery and Equipment	(165,085.30)	(27,572.34)	503.50	(192,154.14)
Total Accumulated Depreciation	(610,439.44)	(95,838.32)	503.50	(705,774.26)
Total Capital Assets, being depreciated, net	881,587.15	(33,907.74)	(4,531.50)	843,147.91
Governmental Activity Capital Assets, Net	940,087.15	(33,907.74)	(4,531.50)	901,647.91

Depreciation expense was charged to functions as follows:

Governmental Activities:	2018	2019
General Government	5,370.67	5,292.36
Public Safety	343.33	343.33
Public Works	26,405.55	26,394.40
Culture and Recreation	15,680.83	16,007.85
Total Depreciation Expense - Governmental Activities	47,800.38	48,037.94

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2018	Increases	Decreases	Balance 12/31/2019
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	62,250.00			62,250.00
Construction Work in Progress		1,908,708.40		1,908,708.40
Total, not being Depreciated	62,250.00	1,908,708.40	0.00	1,970,958.40
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	3,576,289.80	22,943.00		3,599,232.80
Machinery and Equipment	83,792.56	100,428.00		184,220.56
Total, being Depreciated	3,660,082.36	123,371.00	0.00	3,783,453.36
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(755,963.62)	(145,833.25)		(901,796.87)
Machinery and Equipment	(71,381.88)	(7,381.88)		(78,763.76)
Total Accumulated Depreciation	(827,345.50)	(153,215.13)	0.00	(980,560.63)
Total Capital Assets, being depreciated, net	2,832,736.86	(29,844.13)	0.00	2,802,892.73
Business-Type Activity Capital Assets, Net	2,894,986.86	1,878,864.27	0.00	4,773,851.13

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2018	2019
Water	16,790.19	22,200.99
Sewer	42,387.22	42,387.23
Natural Gas	13,967.00	15,482.50
Total Depreciation Expense - Business-Type Activities	73,144.41	80,070.72

Construction Work in Progress at December 31, 2019 is composed of the following:

Project Name	Project Authorization	Expended through 12/31/2019	Committed	Required Future Financing
Phase 2-3 Sewer Improvements	$ 4,789,988.00	$ 1,908,708.40	$ 616,612.16	$ 2,264,667.44
TOTAL	$ 4,789,988.00	$ 1,908,708.40	$ 616,612.16	$ 2,264,667.44

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/18	Additions	Deletions	Ending Balance 12/31/2019	Due Within One Year
Primary Government:					
Governmental Activities:					
Note Payable - Ball Diamond	60,361.79		11,146.07	49,215.72	5,951.32
Bonds Payable:					
Sales Tax Refunding Bonds	161,563.57		36,875.07	124,688.50	19,993.48
Special Assessment Bonds - 6th Avenue	117,000.00			117,000.00	0.00
Total Debt	338,925.36	0.00	48,021.14	290,904.22	25,944.80
Accrued Compensated Absences-Governmental Funds	1,272.61	5,720.09	3,671.41	3,321.29	1,500.00
Total Governmental Activities	340,197.97	5,720.09	51,692.55	294,225.51	27,444.80
Business-Type Activities:					
Bonds Payable:					
Gas Utility Revenue Refunding Bonds, Series 2011	295,000.00		170,000.00	125,000.00	60,000.00
State Revolving Loan Fund Drinking Water # 1	291,276.82		48,127.05	243,149.77	25,257.42
State Revolving Loan Fund Clean Water # 1	340,287.00		13,775.97	326,511.03	7,281.46
State Revolving Loan Fund Drinking Water # 2	0.00	111,477.00		111,477.00	0.00
State Revolving Loan Fund Clean Water # 2	0.00	877,791.00		877,791.00	0.00
Total Debt	926,563.82	989,268.00	231,903.02	1,683,928.80	92,538.88
Accrued Compensated Absences - Business-Type Funds	0.00	1,636.28	163.63	1,472.65	200.00
Total Business-Type Activities	926,563.82	990,904.28	232,066.65	1,685,401.45	92,738.88
TOTAL PRIMARY GOVERNMENT	1,266,761.79	996,624.37	283,759.20	1,979,626.96	120,183.68

The Municipality is fully obligated for the payment of the Special Assessment Bonds in the event of default by the property owners.

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

Sales Tax Refunding Bonds:

Sales Tax Refunding Bonds, Series 2005, Final Maturity 2025, Interest Rate 5.50%, Retired by General Fund	$ 124,688.50

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Special Assessments:	
Special Assessment Bonds on 6th Avenue, Final Maturity April 1, 2023, Interest Rate 3.50%, Retired by 6th Avenue Debt Service Fund	$ 117,000.00
Revenue Bonds:	
Natural Gas Revenue Refunding Bonds, $595,000.00 Series 2011, Final Maturity 2022, Interest Rate 1.25% to 4.00%, Retired by Natural Gas Fund	$ 125,000.00
Revenue Bonds:	
State Revolving Loan Fund – Drinking Water # 1, Final Maturity April 15, 2028, Interest Rate 3.25%, Retired by Water Fund	$ 243,149.77
Revenue Bonds:	
State Revolving Loan Fund – Clean Water # 1, Final Maturity November 15, 2047, Interest Rate 3.25%, Retired by Sewer Fund	$ 326,511.03
Revenue Bonds:	
State Revolving Loan Fund – Drinking Water # 2, Final Maturity May 15, 2031, Interest Rate 2.00%, Retired by Water Fund	$ 111,477.00
Revenue Bonds:	
State Revolving Loan Fund – Clean Water # 2, Final Maturity May 15, 2051, Interest Rate 2.25%, Retired by Sewer Fund	$ 877,791.00
Note Payable:	
Note Payable on Ball Diamond, Final Maturity February 1, 2022, Interest Rate 5.25%, Retired by General Fund	$ 49,215.72
Compensated Absences:	
Accrued Leave for eligible employees Payment to be made by General Fund	$ 3,321.29
Accrued Leave for eligible employees Payment to be made by Natural Gas Fund	$ 1,472.65

The annual requirements to amortize all debt outstanding as of December 31, 2019, including interest payments of $1,094,149.87, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Maturity for Long-Term Debt
December 31, 2019

Year Ending December 31,	Sales Tax Refunding Bonds, Series 2005		Special Assessment Bonds, 6th Avenue		Gas Utility Revenue Refunding Bonds, Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	19,993.48	6,586.68	0.00	4,095.00	60,000.00	4,760.00
2021	21,108.24	5,471.92	0.00	4,095.00	65,000.00	2,600.00
2022	22,285.16	4,295.00	0.00	4,095.00		
2023	23,527.70	3,052.46	117,000.00	2,047.50		
2024	24,839.51	1,740.65				
2025-2029	12,934.41	355.67				
2030-2034						
2035-2039						
2040-2044						
2045-2049						
Totals	124,688.50	21,502.38	117,000.00	14,332.50	125,000.00	7,360.00

Year Ending December 31,	State Revolving Loan Fund - Drinking Water #1		State Revolving Loan Fund - Clean Water #1		Notes Payable - Ball Diamond	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	25,257.42	7,596.62	7,281.46	10,523.46	5,951.32	2,064.68
2021	26,088.35	6,765.69	7,521.00	10,283.92	6,226.26	1,789.74
2022	26,946.61	5,907.43	7,768.43	10,036.49	37,038.14	268.96
2023	27,833.10	5,020.94	8,024.00	9,780.92		
2024	28,748.77	4,105.27	8,287.97	9,516.95		
2025-2029	108,275.52	6,713.62	45,713.67	43,310.93		
2030-2034			53,744.45	35,280.15		
2035-2039			63,186.06	25,838.54		
2040-2044			74,286.35	14,738.25		
2045-2049			50,697.64	2,717.12		
Totals	243,149.77	36,109.57	326,511.03	172,026.73	49,215.72	4,123.38

Year Ending December 31,	Drinking Water Project Borrower Bond, Series 2019*		Clean Water Project Borrower Bond, Series 2019*		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	0.00	0.00	0.00	0.00	118,483.68	35,626.44
2021	5,061.54	13,072.71	10,312.10	96,962.97	141,317.49	141,041.95
2022	10,275.79	2,051.57	20,974.51	19,342.13	125,288.64	45,996.58
2023	10,482.86	1,844.50	21,450.42	18,866.22	208,318.08	40,612.54
2024	10,694.10	1,633.26	21,937.15	18,379.49	94,507.50	35,375.62
2025-2029	56,791.01	4,845.79	117,382.04	84,201.16	341,096.65	139,427.17
2030-2034	18,171.70	319.34	131,317.59	70,265.61	203,233.74	105,865.10
2035-2039			146,907.55	54,675.65	210,093.61	80,514.19
2040-2044			164,348.37	37,234.83	238,634.72	51,973.08
2045-2049			183,859.71	17,723.49	234,557.35	20,440.61
2050-2054			59,301.56	1,173.40	59,301.56	1,173.40
Totals	111,477.00	23,767.17	877,791.00	418,824.95	1,974,833.02	698,046.68

*All funds have not been disbursed as of 12/31/19.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. WATER PURCHASE AGREEMENT

The Municipality of Humboldt entered into a twenty-year operating lease with Minnehaha Community Water Corporation to provide water to the Municipality. No monthly service charge is paid by the Municipality to Minnehaha Community Water Corporation. A charge of $0.0206 per gallon of water consumed is paid. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's water fund. There are no minimum payments on this agreement.

10. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2018 and 2019 was as follows:

	12/31/2018	12/31/2019
Major Purposes:		
Debt Service	$ 239,752.59	$ 240,947.81
Economic Development	2,400.00	2,400.00
Capital Projects	93,901.60	104,818.76
Parks	60,425.18	70,951.83
SDRS Pension	21,057.64	10,066.41
Equipment Repair and Replacement	154,757.75	154,757.75
Total Restricted Net Position	$ 572,294.76	$ 583,942.56

These balances are restricted due to statutory requirements and debt covenants.

11. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2018 and 2019, the Municipality was not involved in any significant litigation.

12. PENSION PLAN

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017, were $7,259.55, $4,991.18, and $4,230.90, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2019.

Proportionate share of net position restricted for pension benefits	$	569,958.83
Less proportionate share of total pension liability	$	570,443.49
Proportionate share of net pension liability (asset)	$	(484.66)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Municipality's proportion was 0.00457350%, which is an increase of 0.0011840% from its proportion measured as of June 30, 2018.

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the Municipality as of the measurement period ending June 30, 2018 and reported by the Municipality as of December 31, 2018 are as follows:

Proportionate share of net position restricted for pension benefits	$ 469,786.54
Less proportionate share of total pension liability	$ 469,876.09
Proportionate share of net pension liability (asset)	$ (89.55)

The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the Municipality's proportion was 0.00384020%, which is an increase of 0.0004507% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019, the Municipality recognized pension expense (reduction of pension expense) of $10,991.23. At December 31, 2019 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 1,901.15	$ 219.37
Changes in assumption.	$ 16,739.11	$ 6,862.22
Net difference between projected and actual earnings on pension plan investments.		$ 2,792.07
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	$ 589.59	$ 3,882.58
Municipality contributions subsequent to the measurement date.	$ 4,108.13	
TOTAL	$ 23,337.98	$ 13,756.24

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

$4,108.13 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2020	$ 9,685.41
2021	$ (2,869.19)
2022	$ (1,987.22)
2023	$ 644.61
TOTAL	$ 5,473.61

For the year ended December 31, 2018, the Municipality recognized pension expense (reduction of pension expense) of $6,961.11. At December 31, 2018 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 3,385.13	
Changes in assumption.	$ 22,738.33	
Net difference between projected and actual earnings on pension plan investments.		$ 6,768.83
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	$ 1,439.59	$ 2,369.71
Municipality contributions subsequent to the measurement date.	$ 2,543.58	
TOTAL	$ 30,106.63	$ 9,138.54

$2,543.58 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended December 31:		
2020	$	12,346.29
2021	$	8,821.65
2022	$	(1,770.63)
2023	$	(972.80)
TOTAL	$	18,424.51

Actuarial Assumptions:
The total pension liability (asset) in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2019 and June 30, 2018 valuations were based on the results of an actual experience stude for the period of July 1, 2011 and to June 30, 2016.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	100%	

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

Sensitivity of liability (asset) to changes in the discount rate:
For December 31, 2019, the following presents the Municipality's proportionate share of net pension liability (asset) as of calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$ 80,445.03	$(484.67)	$(66,427.74)

For the December 31, 2018 The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$ 67,644.69	$(89.56)	$(55,187.70)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the biennial period ended December 31, 2019, the Municipality managed its risks as follows:

Employee Health Insurance:
The Municipality joined the South Dakota Municipal League Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of $250.00 per person up to $500.00 per family. The plan also provides for coinsurance of 90 percent up to $5,000.00. The coverage also includes a $2,500,000.00 lifetime maximum payment per person.

The Municipality 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 Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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

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

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

14. BEGINNING FUND BALANCE/NET POSITION ADJUSTMENT

A beginning Fund Balance/Net Position adjustment was made for a prior year correction to cash that was not done.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	169,510.00	169,510.00	158,782.65	(10,727.35)
General Sales and Use Taxes	140,000.00	140,000.00	216,255.83	76,255.83
Amusement Taxes	0.00	0.00	384.00	384.00
Penalties and Interest on Delinquent Taxes	160.00	160.00	342.67	182.67
Licenses and Permits	2,400.00	2,400.00	6,421.25	4,021.25
Intergovernmental Revenue:				
State Grants	0.00	0.00	781.00	781.00
State Shared Revenue:				
Bank Franchise Tax	6,000.00	6,000.00	4,749.35	(1,250.65)
Prorate License Fees	0.00	0.00	289.19	289.19
Liquor Tax Reversion	3,600.00	3,600.00	3,838.57	238.57
Motor Vehicle Licenses	7,500.00	7,500.00	6,567.81	(932.19)
Local Government Highway and Bridge Fund	9,100.00	9,100.00	9,484.26	384.26
County Shared Revenue:				
County Wheel Tax	1,200.00	1,200.00	1,131.80	(68.20)
Charges for Goods and Services:				
General Government	2,600.00	2,600.00	2,877.19	277.19
Sanitation	400.00	400.00	400.00	0.00
Miscellaneous Revenue:				
Investment Earnings	300.00	300.00	942.26	642.26
Rentals	2,300.00	2,300.00	4,015.00	1,715.00
Contributions and Donations from Private Sources	1,000.00	1,000.00	2,095.00	1,095.00
Other	6,960.00	6,960.00	16,123.81	9,163.81
Total Revenue	353,030.00	353,030.00	435,481.64	82,451.64
Expenditures:				
General Government:				
Legislative	19,000.00	19,000.00	14,642.22	4,357.78
Contingency	10,000.00	10,000.00		
Amount Transferred		(10,000.00)		0.00
Elections	500.00	500.00	0.00	500.00
Financial Administration	61,725.00	62,025.00	50,632.92	11,392.08
Other	11,600.00	113,600.00	108,773.91	4,826.09
Total General Government	102,825.00	195,125.00	174,049.05	21,075.95

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	22,134.00	22,584.00	21,528.59	1,055.41
Fire	9,395.00	9,995.00	9,354.61	640.39
Total Public Safety	31,529.00	32,579.00	30,883.20	1,695.80
Public Works:				
Highways and Streets	96,800.00	98,600.00	84,589.66	14,010.34
Sanitation	6,700.00	6,700.00	2,150.69	4,549.31
Natural Gas	4,520.00	4,520.00	3,286.35	1,233.65
Total Public Works	108,020.00	109,820.00	90,026.70	19,793.30
Health and Welfare:				
Humane Society	800.00	800.00	826.82	(26.82)
Ambulance	9,468.00	9,468.00	9,436.00	32.00
Total Health and Welfare	10,268.00	10,268.00	10,262.82	5.18
Culture and Recreation:				
Recreation	7,500.00	7,500.00	5,136.96	2,363.04
Parks	106,800.00	113,650.00	85,434.17	28,215.83
Auditorium	24,700.00	24,700.00	13,521.45	11,178.55
Museums	1,500.00	1,500.00	1,486.28	13.72
Total Culture and Recreation	140,500.00	147,350.00	105,578.86	41,771.14
Conservation and Development:				
Economic Development and Assistance	9,480.00	9,480.00	3,104.30	6,375.70
Total Conservation and Development	9,480.00	9,480.00	3,104.30	6,375.70
Debt Service	0.00	0.00	26,580.16	(26,580.16)
Miscellaneous:				
Other Expenditures	0.00	0.00	2,215.66	(2,215.66)
Total Miscellaneous	0.00	0.00	2,215.66	(2,215.66)
Total Expenditures	402,622.00	504,622.00	442,700.75	61,921.25
Excess of Revenue Over (Under) Expenditures	(49,592.00)	(151,592.00)	(7,219.11)	144,372.89
Other Financing Sources (Uses):				
Compensation for Loss or Damage to Capital Assets	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)	0.00	0.00	676.60	676.60
Net Change in Fund Balances	(49,592.00)	(151,592.00)	(6,542.51)	145,049.49
Fund Balance - Beginning	212,284.77	212,284.77	212,284.77	0.00
FUND BALANCE - ENDING	162,692.77	60,692.77	205,742.26	145,049.49

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	40,000.00	40,000.00	39,222.07	(777.93)
Total Revenue	40,000.00	40,000.00	39,222.07	(777.93)
Expenditures:				
Debt Service	36,000.00	36,000.00	28,304.91	7,695.09
Total Expenditures	36,000.00	36,000.00	28,304.91	7,695.09
Net Change in Fund Balances	4,000.00	4,000.00	10,917.16	6,917.16
Fund Balance - Beginning	93,901.60	93,901.60	93,901.60	0.00
FUND BALANCE - ENDING	97,901.60	97,901.60	104,818.76	6,917.16

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY SALES TAX FUND
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	65,000.00	65,000.00	18,542.65	(46,457.35)
Total Revenue	65,000.00	65,000.00	18,542.65	(46,457.35)
Expenditures:				
Culture and Recreation:				
Parks	56,900.00	56,900.00	0.00	56,900.00
Total Culture and Recreation	56,900.00	56,900.00	0.00	56,900.00
Debt Service	8,100.00	8,100.00	8,016.00	84.00
Total Expenditures	65,000.00	65,000.00	8,016.00	56,984.00
Net Change in Fund Balances	0.00	0.00	10,526.65	10,526.65
Fund Balance - Beginning	60,425.18	60,425.18	60,425.18	0.00
FUND BALANCE - ENDING	60,425.18	60,425.18	70,951.83	10,526.65

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	158,366.00	158,366.00	155,834.66	(2,531.34)
General Sales and Use Taxes	160,706.00	160,706.00	192,524.92	31,818.92
Amusement Taxes	1,200.00	1,200.00	324.00	(876.00)
Penalties and Interest on Delinquent Taxes	500.00	500.00	77.06	(422.94)
Licenses and Permits	6,160.00	6,160.00	5,602.50	(557.50)
Intergovernmental Revenue:				
State Grants	0.00	0.00	886.00	886.00
State Shared Revenue:				
Bank Franchise Tax	6,500.00	6,500.00	4,729.39	(1,770.61)
Prorate License Fees	0.00	0.00	735.15	735.15
Liquor Tax Reversion	2,500.00	2,500.00	3,704.59	1,204.59
Motor Vehicle Licenses	7,500.00	7,500.00	8,757.04	1,257.04
Local Government Highway and Bridge Fund	9,100.00	9,100.00	13,858.10	4,758.10
County Shared Revenue:				
County Road Tax	300.00	300.00	0.00	(300.00)
County Wheel Tax	1,400.00	1,400.00	1,647.74	247.74
Charges for Goods and Services:				
General Government	3,600.00	3,600.00	3,194.88	(405.12)
Sanitation	400.00	400.00	100.00	(300.00)
Culture and Recreation	50.00	50.00	0.00	(50.00)
Miscellaneous Revenue:				
Investment Earnings	200.00	200.00	848.53	648.53
Rentals	2,150.00	2,150.00	3,225.00	1,075.00
Contributions and Donations from Private Sources	3,200.00	3,200.00	2,330.00	(870.00)
Other	5,750.00	5,750.00	39,901.24	34,151.24
Total Revenue	369,582.00	369,582.00	438,280.80	68,698.80
Expenditures:				
General Government:				
Legislative	18,656.00	18,656.00	14,435.94	4,220.06
Contingency	5,000.00	5,000.00		
Amount Transferred		(5,000.00)		0.00
Elections	500.00	500.00	96.26	403.74
Financial Administration	62,925.00	76,936.00	69,892.28	7,043.72
Other	19,100.00	22,779.00	15,935.25	6,843.75
Total General Government	106,181.00	118,871.00	100,359.73	18,511.27

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	22,134.00	25,987.00	25,531.22	455.78
Fire	9,395.00	9,395.00	9,145.12	249.88
Total Public Safety	31,529.00	35,382.00	34,676.34	705.66
Public Works:				
Highways and Streets	93,300.00	103,567.00	94,176.74	9,390.26
Sanitation	9,700.00	9,700.00	1,518.73	8,181.27
Natural Gas	4,550.00	4,550.00		4,550.00
Total Public Works	107,550.00	117,817.00	95,695.47	22,121.53
Health and Welfare:				
Humane Society	800.00	800.00	677.21	122.79
Ambulance	9,468.00	9,468.00	9,468.00	0.00
Total Health and Welfare	10,268.00	10,268.00	10,145.21	122.79
Culture and Recreation:				
Recreation	5,000.00	6,136.00	17,479.38	(11,343.38)
Parks	48,149.00	48,589.00	48,120.71	468.29
Auditorium	26,000.00	56,817.00	49,366.50	7,450.50
Museums	1,500.00	1,500.00	1,439.38	60.62
Total Culture and Recreation	80,649.00	113,042.00	116,405.97	(3,363.97)
Conservation and Development:				
Economic Development and Assistance	10,070.00	10,070.00	1,544.20	8,525.80
Total Conservation and Development	10,070.00	10,070.00	1,544.20	8,525.80
Debt Service	0.00	0.00	26,580.16	(26,580.16)
Miscellaneous:				
Other Expenditures	0.00	0.00	3,491.24	(3,491.24)
Total Miscellaneous	0.00	0.00	3,491.24	(3,491.24)
Total Expenditures	346,247.00	405,450.00	388,898.32	16,551.68
Excess of Revenue Over (Under) Expenditures	23,335.00	(35,868.00)	49,382.48	85,250.48
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	1,044.41	1,044.41
Transfers Out	(30,235.00)	(30,235.00)	0.00	30,235.00
Total Other Financing Sources (Uses)	(30,235.00)	(30,235.00)	1,044.41	31,279.41
Net Change in Fund Balances	(6,900.00)	(66,103.00)	50,426.89	116,529.89
Fund Balance - Beginning	189,689.57	189,689.57	189,689.57	0.00
Adjustments:				
To Correct Beginning Cash Balance	0.00	0.00	(27,831.69)	(27,831.69)
Adjusted Fund Balance - Beginning	189,689.57	189,689.57	161,857.88	(27,831.69)
FUND BALANCE - ENDING	182,789.57	123,586.57	212,284.77	88,698.20

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	40,000.00	40,000.00	43,155.89	3,155.89
Other	20,000.00	20,000.00	0.00	(20,000.00)
Total Revenue	60,000.00	60,000.00	43,155.89	(16,844.11)
Expenditures:				
Debt Service	60,000.00	60,000.00	16,076.13	43,923.87
Total Expenditures	60,000.00	60,000.00	16,076.13	43,923.87
Net Change in Fund Balances	0.00	0.00	27,079.76	27,079.76
Fund Balance - Beginning	66,821.84	66,821.84	66,821.84	0.00
FUND BALANCE - ENDING	66,821.84	66,821.84	93,901.60	27,079.76

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HUMBOLDT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
3rd Penny Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Maintenance Assessments	21,900.00	21,900.00	18,107.65	(3,792.35)
Total Revenue	21,900.00	21,900.00	18,107.65	(3,792.35)
Expenditures:				
Conservation and Development				
Economic Development and Assistance	0.00	0.00	1,533.60	(1,533.60)
Total Conservation and Debt	0.00	0.00	1,533.60	(1,533.60)
Debt Service	8,100.00	8,100.00	8,016.00	84.00
Total Expenditures	8,100.00	8,100.00	9,549.60	(1,449.60)
Excess of Revenue Over (Under) Expenditures	13,800.00	13,800.00	8,558.05	(5,241.95)
Other Financing Sources (Uses):				
Transfers Out	(6,900.00)	(6,900.00)	0.00	6,900.00
Total Other Financing Sources (Uses)	(6,900.00)	(6,900.00)	0.00	6,900.00
Net Change in Fund Balances	6,900.00	6,900.00	8,558.05	1,658.05
Fund Balance - Beginning	51,867.13	51,867.13	51,867.13	0.00
FUND BALANCE - ENDING	58,767.13	58,767.13	60,425.18	1,658.05

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.

3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.

4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Five Years

	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0045735%	0.0038402%	0.0033895%	0.0037603%	0.0041326%
Municipality's proportionate share of net pension liability (asset)	$ (485)	$ (90)	$ (308)	$ 12,702	$ (17,528)
Municipality's covered-employee payroll	$ 53,291	$ 39,005	$ 68,866	$ 71,503	$ 75,448
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.90%	0.23%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.1%	96.89%	104.10%

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Five Years

	2019	2018	2017	2016	2015
Contractually required contribution	$ 7,260	$ 4,991	$ 4,232	$ 4,174	$ 4,620
Contributions in relation to the contractually required contribution	$ 7,260	$ 4,991	$ 4,232	$ 4,174	$ 4,620
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Municipality's covered-employee payroll	$ 122,389	$ 83,217	$ 70,526	$ 69,562	$ 76,966
Contributions as a percentage of covered-employee payroll	5.93%	6.00%	6.00%	6.00%	6.00%

Notes to Supplementary Information
for the Two Years Ended December 31, 2019
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes of benefit terms:

No significant changes.

Changes of assumptions:

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

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

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