

**Town of Pierpont  
Audit Report  
For the Year Ended December 31, 2020**

**Town of Pierpont**

**Town of Pierpont**  
Town Officials  
December 31, 2020

**Town Trustee Members:**

Audrey Johnson

JaDee Dwight

Steve Cameron

Trustee President

Trustee Vice-President

Trustee Member

**Town Finance Officer:**

Jessica Holler

**Town Attorney:**

Delaney, Nielsen & Sannes, P.C.

**Town of Pierpont**

**Town of Pierpont  
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# **GRANT AND WILLIAMS, INC.**

Certified Public Accountants

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Aleene A. Williams, CPA  
Ladonna Clark, Enrolled Agent

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**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  
Town of Pierpont  
Pierpont, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pierpont, South Dakota (Town), as of December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 26, 2022 which was unmodified.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 have not been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as item 2020-002 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Town's Response to Findings**

The Town's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Town'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 Town'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.



Grant and Williams, Inc.  
Certified Public Accountants  
July 26, 2022



# **GRANT AND WILLIAMS, INC.**

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### **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Governing Board  
Town of Pierpont  
Pierpont, South Dakota

#### **Report on Compliance for Each Major Federal Program**

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion on Each Major Federal Program**

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



## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001.

Our opinion on each major federal program is not modified with respect to these matters.

The Town's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report on Internal Control Over Compliance**

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

## **Purpose of this Report**

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



Grant and Williams, Inc.  
Certified Public Accountants

July 26, 2022

**Town of Pierpont**  
**Schedule of Prior and Current Audit Findings and Questioned Costs**

**Schedule of Prior Audit Findings**

There have been no prior audits for the Town of Pierpont.

**Schedule of Current Audit Findings and Questioned Costs**

**Summary of the Independent Auditor's Results:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in findings number 2020-001. A significant deficiency was disclosed by our audit of the financial statements for a lack of internal controls over the preparation of the financial statements as discussed in finding number 2020-002.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2020-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CRF 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding number 2020-001.
- g. The federal award tested as a major program was:
  - 1. CFDA Number 10.760 – Community Facilities Loans and Grants
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Town of Pierpont did not qualify as a low-risk auditee.

**Current Federal Audit Findings:**

***Internal Control-Related Findings – Material Weakness:***

**Finding Number 2020-001:**

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues.

**Major Federal Program:**

The major federal program affected is the CFDA Number 10.760 – Community Facilities Loans and Grants.

**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 transitions from beginning to end. The Finance Officer also receives money and issues receipts. The Finance Officer records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

**Cause:**

The Town has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in the revenue function due to a lack of segregation of duties.

**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:**

We recommend that the Town of Pierpont 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.

**Views of responsible officials:**

See the Town's corrective action plan on page 12.

**Internal Control-Related Findings – Significant Deficiencies:**

**Finding Number 2020-002:**

**Criteria:**

The Town's internal control structure should be designed to provide for the preparation of the annual financial report, which includes having an adequate system for recording and processing entries material to the annual financial reports being audited in accordance with generally accepted accounting principles.

**Condition:**

We noted the following significant reporting errors within the annual report prepared by the Town –

- a. Receipt from the Construction loan was posted to the expense account for the construction project.
- b. Receipts for the Line of Credit loan and the federal grant loan were posted to the same loan revenue account.
- c. All interest income was posted to the General Fund which does not comply with the generally accepted accounting principles requiring the interest to be recorded in the Fund in which the interest was earned and then transferred to the General Fund.
- d. The budget for the General Fund was over spent in two functions, they did not authorize a transfer from the Contingency or amend the budget during the year to cover the over expenditure.

**Cause:**

The Town does not have an adequate internal control system designed to provide for the preparation of the annual financial report in accordance with generally accepted accounting principles. (They were able to prepare their own Schedule of Expenditures of Federal Awards.)

**Effect:**

Inaccurate and incomplete information was presented to the users of the annual financial reports.

**Recommendation:**

We recommend the Town of Pierpont strengthen internal controls over financial reporting.

**Views of responsible officials:**

See the Town's corrective action plan on page 12.

**Closing Conference** – The contents of this report were discussed with current Finance Officer Megan Moen, prior Finance Officer Jessica Holler and current Trustee President Steve Cameron on July 26, 2022.

Town of Pierpont  
P.O. Box 192  
Pierpont, SD 57468

**Corrective Action Plan (Unaudited)**

The Town of Pierpont submits the following corrective action plan for the year ended December 31, 2020.

**Findings and Questioned Costs – Major Federal Award Program Audit:**

**2020-001**

**Condition:** A material weakness was reported for lack of segregation of duties as only one person performs all revenue transactions.

**Responsible official:** Steve Cameron

**Planned corrective actions:** Management agrees with the finding and recommendations. The Town of Pierpont has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for revenues. The Trustees are aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include reviewing the monthly transactions and reports.

**Anticipated completion date:** This will be ongoing.

**Current Audit Findings:**

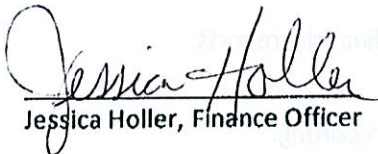
**2020-002**

**Condition:** The Town's internal control structure should be designed to provide for the preparation of the annual financial report, which includes having an adequate system for recording and processing entries material to the annual financial reports being audited in accordance with generally accepted accounting principles.

**Responsible official:** Steve Cameron

**Planned corrective actions:** The Town of Pierpont accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical.

**Anticipated completion date:** This will be ongoing.

  
Jessica Holler, Finance Officer

  
Steve Cameron, Trustee President

**Town of Pierpont**



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## **Independent Auditor's Report**

Governing Board  
Town of Pierpont  
Pierpont, South Dakota

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, and each major fund of the Town of Pierpont as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

## Basis of Accounting

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

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Town's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Budgetary Comparison Schedule, and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2022, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Grant and Williams, Inc.  
Certified Public Accountants  
July 26, 2022



**Town of Pierpont**  
**Government-Wide Financial Statements**

**Town of Pierpont**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 213,685.30	\$ 316,675.63	\$ 530,360.93
Restricted Assets:			
Cash and cash equivalents	-	20,902.40	20,902.40
Total Assets	<u>213,685.30</u>	<u>337,578.03</u>	<u>551,263.33</u>
<b>Net Position:</b>			
Restricted for:			
Debt Service Purposes	-	14,761.40	14,761.40
Other Purposes	-	6,141.00	6,141.00
Unrestricted (Deficit)	<u>213,685.30</u>	<u>316,675.63</u>	<u>530,360.93</u>
Total Net Position	<u>\$ 213,685.30</u>	<u>\$ 337,578.03</u>	<u>\$ 551,263.33</u>

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

**Town of Pierpont**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 29,976.31	\$ 1,650.00	\$ -	\$ -
Public Safety	6,319.87	-	-	-
Public Works	23,470.15	13,871.59	18,206.78	-
Health and Welfare	200.00	-	200.00	-
Culture and Recreation	5,485.53	-	-	-
Total Governmental Activities	65,451.86	15,521.59	18,406.78	-
Business-type Activities:				
Water	46,664.36	46,845.80	-	-
Sewer	1,753,884.72	29,155.00	-	571,848.86
Total Business-Type Activities	1,800,549.08	76,000.80	-	571,848.86
Total Primary Government	<u>\$ 1,866,000.94</u>	<u>\$ 91,522.39</u>	<u>\$ 18,406.78</u>	<u>\$ 571,848.86</u>

**General Revenues:**

Taxes:

Property Taxes

Sales Taxes

State Shared Revenues

Unrestricted Investment Earnings

Debt Issued

Miscellaneous Revenue

**Transfers**

Total General Revenues, and Transfers

Change in Net Position

Net Position-Beginning

Net Position-Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (28,326.31)	\$ -	\$ (28,326.31)
(6,319.87)	-	(6,319.87)
8,608.22	-	8,608.22
-	-	-
(5,485.53)	-	(5,485.53)
(31,523.49)		(31,523.49)
-	181.44	181.44
-	(1,152,880.86)	(1,152,880.86)
-	(1,152,699.42)	(1,152,699.42)
(31,523.49)	(1,152,699.42)	(1,184,222.91)
38,429.32	-	38,429.32
23,405.64	-	23,405.64
1,221.78	-	1,221.78
1,115.39	1,937.13	3,052.52
-	1,179,500.00	1,179,500.00
227.10	139.50	366.60
1,937.13	(1,937.13)	(0.00)
66,336.36	1,179,639.50	1,245,975.86
34,812.87	26,940.08	61,752.95
178,872.43	310,637.95	489,510.38
<u>\$ 213,685.30</u>	<u>\$ 337,578.03</u>	<u>\$ 551,263.33</u>

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

**Town of Pierpont**  
**Governmental Funds**

**Town of Pierpont**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**December 31, 2020**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and Cash Equivalents	<u>\$ 213,685.30</u>	<u>\$ 213,685.30</u>
Total Assets	<u>213,685.30</u>	<u>213,685.30</u>
<b>Fund Balances:</b>		
Unassigned	<u>213,685.30</u>	<u>213,685.30</u>
Total Fund Balances	<u>\$ 213,685.30</u>	<u>\$ 213,685.30</u>

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

**Town of Pierpont**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances - Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2020**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
<b>Taxes:</b>		
General Property Taxes	\$ 37,963.66	\$ 37,963.66
General Sales and Use Taxes	23,405.64	23,405.64
Amusement Taxes	36.00	36.00
Penalties and Interest on Delinquent Taxes	<u>429.66</u>	<u>429.66</u>
Total Taxes	<u>61,834.96</u>	<u>61,834.96</u>
Licenses and Permits	<u>1,400.00</u>	<u>1,400.00</u>
<b>Intergovernmental Revenue:</b>		
State Grants	200.00	200.00
<b>State Shared Revenue:</b>		
Bank Franchise Tax	287.35	287.35
Motor Vehicle Commercial Prorate	860.20	860.20
Liquor Tax Reversion	934.43	934.43
Motor Vehicle Licenses (5%)	3,672.39	3,672.39
Local Government Highway and Bridge Fund	11,368.34	11,368.34
<b>County Shared Revenue:</b>		
County Road Tax (25%)	316.92	316.92
County Highway and Bridge Reserve Tax (25%)	689.36	689.36
County Wheel Tax	<u>1,299.57</u>	<u>1,299.57</u>
Total Intergovernmental Revenue	<u>19,628.56</u>	<u>19,628.56</u>
<b>Charges for Goods and Services:</b>		
Sanitation	<u>12,664.70</u>	<u>12,664.70</u>
Total Charges for Goods and Services	<u>12,664.70</u>	<u>12,664.70</u>
<b>Miscellaneous Revenue:</b>		
Investment Earnings	1,115.39	1,115.39
Rentals	250.00	250.00
Special Assessments	1,206.89	1,206.89
Other	<u>227.10</u>	<u>227.10</u>
Total Miscellaneous Revenue	<u>2,799.38</u>	<u>2,799.38</u>
<b>Total Revenue</b>	<u>\$ 98,327.60</u>	<u>\$ 98,327.60</u>



	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Expenditures:</b>		
General Government:		
Legislative	\$ 4,822.72	\$ 4,822.72
Elections	787.66	787.66
Financial Administration	24,365.93	24,365.93
Total General Government	<u>29,976.31</u>	<u>29,976.31</u>
Public Safety:		
Fire	<u>6,319.87</u>	<u>6,319.87</u>
Total Public Safety	<u>6,319.87</u>	<u>6,319.87</u>
Public Works:		
Highways and Streets	11,934.70	11,934.70
Sanitation	<u>11,535.45</u>	<u>11,535.45</u>
Total Public Works	<u>23,470.15</u>	<u>23,470.15</u>
Health and Welfare:		
Health	<u>200.00</u>	<u>200.00</u>
Total Health and Welfare	<u>200.00</u>	<u>200.00</u>
Culture and Recreation:		
Parks	<u>5,485.53</u>	<u>5,485.53</u>
Total Culture and Recreation	<u>5,485.53</u>	<u>5,485.53</u>
Total Expenditures	<u>65,451.86</u>	<u>65,451.86</u>
Excess of Revenues Over (Under)		
Expenditures	<u>32,875.74</u>	<u>32,875.74</u>
<b>Other Financing Sources (Uses):</b>		
Transfers In	<u>1,937.13</u>	<u>1,937.13</u>
Total Other Financing Sources (Uses)	<u>1,937.13</u>	<u>1,937.13</u>
Net Change in Fund Balance	34,812.87	34,812.87
Fund Balance - Beginning	<u>178,872.43</u>	<u>178,872.43</u>
Fund Balance- Ending	<u>\$ 213,685.30</u>	<u>\$ 213,685.30</u>

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

**Town of Pierpont**  
**Statement of Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2020**

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 80,221.28	\$ 236,454.35	\$ 316,675.63
Restricted Cash and Cash Equivalents	<u>20,902.40</u>	<u>-</u>	<u>20,902.40</u>
Total Assets	<u>101,123.68</u>	<u>236,454.35</u>	<u>337,578.03</u>
<b>Net Position:</b>			
Restricted for:			
Revenue Bond Debt Service	14,761.40	-	14,761.40
Other purposes	6,141.00	-	6,141.00
Unrestricted	<u>80,221.28</u>	<u>236,454.35</u>	<u>316,675.63</u>
Total Net Position	<u>\$ 101,123.68</u>	<u>\$ 236,454.35</u>	<u>\$ 337,578.03</u>

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

**Town of Pierpont**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

	<b>Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Charges for Goods and Services	\$ 28,812.80	\$ 29,155.00	\$ 57,967.80
Revenue Dedicated to Servicing Debt	18,033.00	-	18,033.00
Total Operating Revenue	46,845.80	29,155.00	76,000.80
<b>Operating Expenses:</b>			
Personal Services	6,802.04	895.64	7,697.68
Other Current Expense	15,851.51	1,268.57	17,120.08
Materials	17,108.13	-	17,108.13
Total Operating Expenses	39,761.68	2,164.21	41,925.89
Operating Income (Loss)	7,084.12	26,990.79	34,074.91
<b>Nonoperating Revenue (Expense):</b>			
Grants	-	571,848.86	571,848.86
Investment Earnings	569.60	1,367.53	1,937.13
Capital Assets	-	(1,160,834.56)	(1,160,834.56)
Debt Service (Principal)	(3,775.70)	(585,000.00)	(588,775.70)
Interest Expense	(3,126.98)	(5,885.95)	(9,012.93)
Construction Loan	-	585,000.00	585,000.00
Long-Term Debt Issued	9,500.00	585,000.00	594,500.00
Other	95.00	44.50	139.50
Total Nonoperating Revenue (Expense)	3,261.92	(8,459.62)	(5,197.70)
Income (Loss) Before Contributions and Transfers	10,346.04	18,531.17	28,877.21
Transfers (out)	(569.60)	(1,367.53)	(1,937.13)
Change in Net Position	9,776.44	17,163.64	26,940.08
Net Position - Beginning	91,347.24	219,290.71	310,637.95
Net Position - Ending	<u>\$ 101,123.68</u>	<u>\$ 236,454.35</u>	<u>\$ 337,578.03</u>

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

Town of Pierpont  
Notes to the Modified Cash Basis Financial Statements

**1. Summary of Significant Accounting Policies**

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

**a. Financial Reporting Entity:**

The reporting entity of the Town of Pierpont (Town), 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 Town and for each function of the Town'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 two major categories: governmental and proprietary. 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 Town or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

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

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

**Governmental Funds:**

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

**Proprietary Funds:**

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

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

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

c. **Measurement Focus and Basis of Accounting:**

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

The Town's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned, and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

***Measurement Focus:***

***Government-wide Financial Statements:***

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

#### *Fund Financial Statements:*

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

#### *Basis of Accounting:*

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the Town in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

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

If the Town applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. 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. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

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

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type are presented using a modified cash basis of accounting. The Town has not elected to modify their cash basis presentation by

recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Town and the related depreciation are not reported on the financial statements of the Town.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds Payable.

As discussed in Note 1.c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The Town has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the Town. The Town does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Town has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as Net Position and is displayed in two components:

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



#### *Fund Financial Statements:*

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

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund 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 nor committed. Fund Balance may be assigned by the Town Trustees.
- 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 Town's Trustees did not commit any fund balances during the year.

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

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

## **2. Violations of Finance-Related Legal and Contractual Provisions**

The Town 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:

The General Fund – Public Works – Sanitation of \$35.45 and General Fund – Culture and Recreation – Parks of \$1,985.53

The Town plans to take the following actions to address these violations: use the supplemental budgets when legal authority allows.

### 3. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

**Credit Risk** – State law limits eligible investments for the Town, as discussed above. The Town investment policy does not further limit its investment choices.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Town’s deposits in financial institutions were not exposed to custodial credit risk.

**Concentration of Credit Risk** – The Town places no limit on the amount that may be invested in any one issuer.

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

**Assignment of Investment Income** – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Town’s policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

### 4. Property Taxes

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

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

### 5. Restricted Net Position

Restricted Net Position for the year ended December 31, 2020 was as follows:

Debt Service Purposes	\$ 14,761.40
Other Purposes	<u>6,141.00</u>
	<u>\$ 20,902.40</u>

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

## 6. Interfund transfers

Interfund transfers for the year ended December 31, 2020 were as follows:

From Fund:	Transfer to General Fund
Water	\$ 569.60
Sewer	<u>1,367.53</u>
	<u>\$ 1,937.13</u>

The Town typically budgets transfers from the Water and Sewer Funds the interest income to the General Fund. The Town typically performs allowable cash transfers relating to interest revenue generated by the above noted major funds to the General Fund.

## 7. Significant Contingencies – Litigation

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

## 8. Risk Management

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

### Liability Insurance:

The Town joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Town's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Town. The Town pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Town pays an annual premium to the pool to provide coverage for general liability, automobile liability and officials liability.

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

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

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

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

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

As of December 31, 2020, the Town's balance available to be refunded per the SDPAA was \$10,389.00, which was a decrease of \$154.00 from the previous year.

The Town carries a no deductible for the general liability coverage, except for a \$5,000 deductible per occurrence for injunctive relief and employment related claims, no deductible for automobile liability coverage, and a \$500 deductible for the officials liability coverage.

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

#### Worker's Compensation:

The Town joined the South Dakota Town 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 Town's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Town pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

#### **9. Subsequent Events**

The Town has evaluated for subsequent events through July 26, 2022, the date which the financial statements were available to be issued. The Town is not aware of any subsequent events which would require recognition or disclosure in the financial statements. A nonrecognized subsequent event that has occurred in 2020, but the impact of COVID-19 pandemic cannot be determined for the Town at this time.

**Town of Pierpont**

## **Supplementary Information**

**Town of Pierpont**  
**Budgetary Comparison Schedule - Budgetary Basis**  
**General Fund**  
**For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	35,000.00	35,000.00	37,963.66	2,963.66
General Sales and Use Taxes	16,000.00	16,000.00	23,405.64	7,405.64
Amusement Taxes	-	-	36.00	36.00
Penalties and Interest on Delinquent Taxes:	-	-	429.66	429.66
<b>Total Taxes</b>	<b>51,000.00</b>	<b>51,000.00</b>	<b>61,834.96</b>	<b>10,834.96</b>
Licenses and Permits	2,200.00	2,200.00	1,400.00	(800.00)
<b>Intergovernmental Revenue:</b>				
State Grants	100.00	100.00	200.00	100.00
State Shared Revenue:				
Bank Franchise Tax	270.00	270.00	287.35	17.35
Motor Vehicle Commercial Prorate	800.00	800.00	860.20	60.20
Liquor Tax Reversion	880.00	880.00	934.43	54.43
Motor Vehicle Licenses (5%)	3,400.00	3,400.00	3,672.39	272.39
Local Government Highway and Bridge Fund	10,500.00	10,500.00	11,368.34	868.34
County Shared Revenue:				
County Road Tax (25%)	300.00	300.00	316.92	16.92
County Highway and Bridge Reserve Tax (25%)	650.00	650.00	689.36	39.36
County Wheel Tax	-	-	1,299.57	1,299.57
<b>Total Intergovernmental Revenue</b>	<b>16,900.00</b>	<b>16,900.00</b>	<b>19,628.56</b>	<b>2,728.56</b>
<b>Charges for Goods and Services:</b>				
Sanitation	13,400.00	13,400.00	12,664.70	(735.30)
<b>Total Charges for Goods and Services</b>	<b>13,400.00</b>	<b>13,400.00</b>	<b>12,664.70</b>	<b>(735.30)</b>
<b>Miscellaneous Revenue:</b>				
Investment Earnings	1,800.00	1,800.00	1,115.39	(684.61)
Rentals	-	-	250.00	250.00
Special Assessments	1,200.00	1,200.00	1,206.89	6.89
Other	100.00	100.00	227.10	127.10
<b>Total Miscellaneous Revenue</b>	<b>3,100.00</b>	<b>3,100.00</b>	<b>2,799.38</b>	<b>(300.62)</b>
<b>Total Revenue</b>	<b>86,600.00</b>	<b>86,600.00</b>	<b>98,327.60</b>	<b>11,727.60</b>



	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Legislative	10,500.00	10,500.00	4,822.72	5,677.28
Contingency	3,500.00	3,500.00	-	3,500.00
Elections	1,000.00	1,000.00	787.66	212.34
Financial Administration	27,300.00	27,300.00	24,365.93	2,934.07
Total General Government	42,300.00	42,300.00	29,976.31	12,323.69
Public Safety:				
Fire	11,700.00	11,700.00	6,319.87	5,380.13
Total Public Safety	11,700.00	11,700.00	6,319.87	5,380.13
Public Works:				
Highways and Streets	19,000.00	19,000.00	11,934.70	7,065.30
Sanitation	11,500.00	11,500.00	11,535.45	(35.45)
Total Public Works	30,500.00	30,500.00	23,470.15	7,029.85
Health and Welfare:				
Health	4,500.00	4,500.00	200.00	4,300.00
Total Health and Welfare	4,500.00	4,500.00	200.00	4,300.00
Culture and Recreation:				
Parks	3,500.00	3,500.00	5,485.53	(1,985.53)
Total Culture and Recreation	3,500.00	3,500.00	5,485.53	(1,985.53)
Total Expenditures	92,500.00	92,500.00	65,451.86	27,048.14
Excess of Revenues Over (Under)				
Expenditures	(5,900.00)	(5,900.00)	32,875.74	38,775.74
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	1,937.13	1,937.13
Total Other Financing Sources (Uses)	-	-	1,937.13	1,937.13
Net Change in Fund Balances	(5,900.00)	(5,900.00)	34,812.87	40,712.87
Fund Balance - Beginning	178,872.43	178,872.43	178,872.43	-
Adjusted Fund Balance - Beginning	178,872.43	178,872.43	178,872.43	-
Fund Balance - Ending	<u>\$ 172,972.43</u>	<u>\$ 172,972.43</u>	<u>\$ 213,685.30</u>	<u>\$ 40,712.87</u>

Town of Pierpont  
Notes To The Supplementary Information  
Schedules of Budgetary Comparisons for the General Fund.

Note 1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Town's Trustees introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Town's Trustees, 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 Town's Trustees to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Town's Trustees.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

Note 2 Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

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

**Town of Pierpont**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures 2020</b>
US Department of Agriculture:			
Direct Federal Funding			
Community Facilities Loans and Grants (Note 3)	10.760		\$ 782,115.00
Total Water and Waste Disposal Systems for Rural Communities			782,115.00
US Department of Housing and Urban Development			
Pass-Through Programs:			
SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228		374,734.00
Total for CDBG - State-Administered Small Cities Program Cluster			374,734.00
Grand Total			\$ 1,156,849.00

**Note 1: Basis of Presentation**

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

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

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

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

This represents a Major Federal Financial Assistance Program.

**Note 4: Federal Loan Program**

The Town had the following loan balances outstanding at December 31, 2020. This loan balance outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the Schedule.

<b>Cluster/Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Outstanding</b>	<b>Included as Federal Expenditure on this Schedule</b>
USDA Rural Development Loan	10.760	\$ 585,000.00	\$ 585,000.00

**Town of Pierpont**  
**Schedule of Changes in Long-Term Debt**  
**For the Year Ended December 31, 2020**

<b>Indebtedness</b>	<b>Long-Term Debt 1/1/20</b>	<b>Add New Debt</b>	<b>Less Debt Retired</b>	<b>Long-Term Debt 12/31/20</b>
<b>Enterprise Long-Term Debt:</b>				
Revenue Bonds - Sewer	\$ -	\$ 585,000.00	\$ -	\$ 585,000.00
Revenue Bonds Water Meter	-	9,500.00	-	9,500.00
Revenue Bonds - Water	105,639.34	-	3,775.70	101,863.64
Construction Loan	-	585,000.00	585,000.00	-
<b>Total</b>	<b>\$ 105,639.34</b>	<b>\$ 1,179,500.00</b>	<b>\$ 588,775.70</b>	<b>\$ 696,363.64</b>

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

Revenue Bonds

SD Conservancy District - Drinking Water #1 State Revolving Fund Loan, 3.0 % interest rate, quarterly loan payments of \$1,725.67. Matures on July 15, 2040. The Water Fund makes the payments. \$ 101,863.64

USDA Rural development Loan; 1.25% interest rate; monthly payments will start after project is completed. Sewer Fund will be making the payments. 585,000.00

Cortrust Bank line of credit, 3.25% interest rate, due July 17, 2021. Paid in full on December 17, 2020 by the Sewer Fund. -

Clean Water Meter Replacement State Revolving Fund Loan; 0% interest rate; quarterly loan payments will start when the project is completed. Matures on May 2032. The Water Fund will make the loan payments. 9,500.00

\$ 696,363.64