



Financial Statements
December 31, 2019 and 2018
Town of Bison

Town of Bison
Municipal Officials (unaudited)
December 31, 2019

Finance Officer Beth Hulm

Governing Board Cody Green
Like Clements
Rick Stevens
Greg Fried
Lyle Reiff

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Independent Auditor's Report

The Town Trustees
Town of Bison
Bison, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bison (the Town) as of and for the years ended December 31, 2019 and 2018, 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

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; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

Management has not included the financial data for a legally separate component unit in the Town's financial statements. Accounting principles applicable to the modified cash basis of accounting require the financial data for the component unit to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Town has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, net position, revenues, and expenditures of the aggregate discretely presented component unit has not been determined.

Adverse Opinion on the Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the modified cash basis financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the financial position of the aggregate discretely presented component unit of the Town of Bison as of December 31, 2019 and 2018, or the changes in financial position thereof for the years then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, and each major fund of the Town of Bison, as of December 31, 2019 and 2018, and the respective changes in financial position – modified cash basis and, where applicable, cash flows – modified cash basis thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The listing of municipal officials, schedules of employer's share of net pension liability (asset) and pension contributions, budgetary comparison schedule, and schedule of changes in long-term debt are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of employer's share of net pension liability (asset) and pension contributions, budgetary comparison schedules, and schedule of changes in long-term debt are the responsibility of management and were derived from, and relate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit paragraph, it is inappropriate to, and we do not, express an opinion on such supplementary information.

The listing of municipal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021, on our consideration of the Town of Bison's internal control over financial reporting and on 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 Town of Bison'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 Town of Bison's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
February 15, 2021

Town of Bison
 Statements of Net Position—Modified Cash Basis
 December 31, 2019 and 2018

	2019		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 169,619	\$ 388,961	\$ 558,580
Due from (to) funds	1,317	(1,317)	-
	<u>\$ 170,936</u>	<u>\$ 387,644</u>	<u>\$ 558,580</u>
Net Position			
Restricted for:			
Library	\$ 9,887	\$ -	\$ 9,887
Unrestricted	161,049	387,644	548,693
	<u>\$ 170,936</u>	<u>\$ 387,644</u>	<u>\$ 558,580</u>
	2018		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 242,216	\$ 395,738	\$ 637,954
Due from (to) funds	15,748	(15,748)	-
	<u>\$ 257,964</u>	<u>\$ 379,990</u>	<u>\$ 637,954</u>
Net Position			
Restricted for:			
Library	\$ 14,188	\$ -	\$ 14,188
Unrestricted	243,776	379,990	623,766
	<u>\$ 257,964</u>	<u>\$ 379,990</u>	<u>\$ 637,954</u>

Town of Bison
Statements of Activities—Modified Cash Basis
Years Ended December 31, 2019 and 2018

Functions/Programs	2019						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Loan Proceeds	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 57,236	\$ 258	\$ -	\$ -	\$ (56,978)	\$ -	\$ (56,978)
Public safety	40,400	-	-	-	(40,400)	-	(40,400)
Public works	276,281	-	32,113	-	(244,168)	-	(244,168)
Health and welfare	10,613	-	-	-	(10,613)	-	(10,613)
Culture and recreation	52,175	7,036	-	-	(45,139)	-	(45,139)
Conservation and development	5,100	-	-	-	(5,100)	-	(5,100)
Total governmental activities	<u>441,805</u>	<u>7,294</u>	<u>32,113</u>	<u>-</u>	<u>(402,398)</u>	<u>-</u>	<u>(402,398)</u>
Business-type activities:							
Water	149,653	121,751	-	-	-	(27,902)	(27,902)
Sewer	76,327	50,733	-	-	-	(25,594)	(25,594)
Liquor	437,242	442,142	-	-	-	4,900	4,900
Solid waste	68,666	83,097	-	-	-	14,431	14,431
Total business-type activities	<u>731,888</u>	<u>697,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,165)</u>	<u>(34,165)</u>
	<u>\$ 1,173,693</u>	<u>\$ 705,017</u>	<u>\$ 32,113</u>	<u>\$ -</u>	<u>(402,398)</u>	<u>(34,165)</u>	<u>(436,563)</u>
General Revenues							
Taxes:							
Property taxes					183,775	-	183,775
Sales and use taxes					93,307	-	93,307
State shared revenues					4,105	-	4,105
Revenue from federal sources					52,010	-	52,010
Unrestricted investment earnings					4,271	1,819	6,090
Miscellaneous revenue					12,624	-	12,624
Transfers					(40,000)	40,000	-
Sale of municipal property					5,278	-	5,278
Total general revenues and transfers					<u>315,370</u>	<u>41,819</u>	<u>357,189</u>
Change in Net Position					(87,028)	7,654	(79,374)
Net Position - Beginning					257,964	379,990	637,954
Net Position - Ending					<u>\$ 170,936</u>	<u>\$ 387,644</u>	<u>\$ 558,580</u>

See Notes to Financial Statements

Town of Bison
Statements of Activities—Modified Cash Basis
Years Ended December 31, 2019 and 2018

Functions/Programs	2018						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Loan Proceeds	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 70,555	\$ 147	\$ -	\$ -	\$ (70,408)	\$ -	\$ (70,408)
Public safety	34,000	-	-	-	(34,000)	-	(34,000)
Public works	183,383	-	27,461	-	(155,922)	-	(155,922)
Health and welfare	10,600	-	-	-	(10,600)	-	(10,600)
Culture and recreation	46,683	7,212	-	-	(39,471)	-	(39,471)
Conservation and development	8,100	-	-	-	(8,100)	-	(8,100)
Total governmental activities	<u>353,321</u>	<u>7,359</u>	<u>27,461</u>	<u>-</u>	<u>(318,501)</u>	<u>-</u>	<u>(318,501)</u>
Business-type activities:							
Water	417,335	120,170	-	-	-	(297,165)	(297,165)
Sewer	60,331	51,558	-	-	-	(8,773)	(8,773)
Liquor	378,812	397,390	-	-	-	18,578	18,578
Solid waste	80,731	65,191	-	-	-	(15,540)	(15,540)
Total business-type activities	<u>937,209</u>	<u>634,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302,900)</u>	<u>(302,900)</u>
	<u>\$ 1,290,530</u>	<u>\$ 641,668</u>	<u>\$ 27,461</u>	<u>\$ -</u>	<u>(318,501)</u>	<u>(302,900)</u>	<u>(621,401)</u>
General Revenues							
Taxes:							
Property taxes					177,181	-	177,181
Sales and use taxes					172,947	-	172,947
State shared revenues					5,431	-	5,431
Unrestricted investment earnings					3,682	1,163	4,845
Miscellaneous revenue					9,289	-	9,289
Transfers					(266,666)	266,666	-
Total general revenues and transfers					<u>101,864</u>	<u>267,829</u>	<u>369,693</u>
Change in Net Position					(216,637)	(35,071)	(251,708)
Net Position - Beginning					474,601	415,061	889,662
Net Position - Ending					<u>\$ 257,964</u>	<u>\$ 379,990</u>	<u>\$ 637,954</u>

See Notes to Financial Statements

Town of Bison
Balance Sheets—Modified Cash Basis—Governmental Fund
December 31, 2019 and 2018

	2019 General Fund
Assets	
Cash and cash equivalents	\$ 169,619
Due from other funds	1,317
	\$ 170,936
Fund Balances	
264 Restricted for Library	\$ 9,887
265 Committed for Perkins County Rural Water repayment	15,357
Christmas lights/community projects	3,721
City Hall building project	20,000
267 Unassigned	121,971
	\$ 170,936
2018 General Fund	
Assets	
Cash and cash equivalents	\$ 242,216
Due from other funds	15,748
	\$ 257,964
Fund Balances	
264 Restricted for Library	\$ 14,188
265 Committed for Perkins County Rural Water repayment	13,908
Christmas lights/community projects	3,721
City Hall building project	20,000
267 Unassigned	206,147
	\$ 257,964

Town of Bison

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis—Governmental Fund
 Years Ended December 31, 2019 and 2018

	2019 General Fund	2018 General Fund
Revenues		
310 Taxes		
311 General property taxes	\$ 180,952	\$ 173,922
313 General sales and use taxes	93,307	172,947
314 Gross receipts business taxes	2,567	2,677
319 Penalties and interest on delinquent taxes	256	582
Total taxes	<u>277,082</u>	<u>350,128</u>
330 Intergovernmental revenue		
331 Federal grants	52,010	-
335 State shared revenue:		
335.01 Bank franchise tax	1,935	1,652
335.02 Motor vehicle commercial prorate	3,557	2,173
335.03 Liquor tax reversion	2,170	2,094
335.04 Motor vehicle licenses (5%)	10,310	10,557
335.08 Local government highway and bridge fund	15,135	14,731
336 State payments in lieu of taxes	-	1,685
338 County shared revenue		
338.99 Other	3,111	-
Total intergovernmental revenue	<u>88,228</u>	<u>32,892</u>
340 Charges for goods and services		
341 General government	258	147
346 Culture and recreation	2,962	3,081
Total charges for goods and services	<u>3,220</u>	<u>3,228</u>
350 Fines and forfeits		
354 Library	4,074	4,131
Total fines and forfeits	<u>4,074</u>	<u>4,131</u>
360 Miscellaneous revenue		
361 Investment earnings	4,271	3,682
369 Other	12,624	9,289
Total miscellaneous revenue	<u>16,895</u>	<u>12,971</u>
Total revenues	<u>389,499</u>	<u>403,350</u>

Town of Bison

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis Governmental Funds
Years Ended December 31, 2019 and 2018

	2019 General Fund	2018 General Fund
Expenditures		
410 General government		
411 Legislative	10,748	11,445
412 Executive	18,421	17,765
413 Elections	13	307
414 Financial administration	17,050	27,705
419 Other	11,004	13,333
Total general government	<u>57,236</u>	<u>70,555</u>
420 Public safety		
421 Police	20,400	19,000
422 Fire	20,000	15,000
Total public safety	<u>40,400</u>	<u>34,000</u>
430 Public works		
431 Highways and streets	111,314	101,733
435 Airport	21,776	26,305
437 Cemeteries	461	500
Total public works	<u>133,551</u>	<u>128,538</u>
440 Health and welfare		
441 Health	13	-
443 Mental health centers	600	600
446 Ambulance	10,000	10,000
Total health and welfare	<u>10,613</u>	<u>10,600</u>
450 Culture and recreation		
451 Recreation	2,500	2,500
452 Parks	21,606	21,949
455 Libraries	26,304	20,434
458 Museums	1,765	1,800
Total culture and recreation	<u>52,175</u>	<u>46,683</u>
460 Conservation and development		
465 Economic development and assistance (industrial development)	5,100	8,100
Total conservation and development	<u>5,100</u>	<u>8,100</u>
485 Capital outlay	142,730	54,845
Total expenditures	<u>441,805</u>	<u>353,321</u>

Town of Bison

Statements of Revenues, Expenditures and Changes in Fund Balances—Modified Cash Basis Governmental Funds
 Years Ended December 31, 2019 and 2018

	2019 <u>General Fund</u>	2018 <u>General Fund</u>
Other Financing Sources (Uses)		
511 Transfers out	(40,000)	(266,666)
391.03 Sale of municipal property	<u>5,278</u>	<u>-</u>
Total other financing sources (uses)	<u>(34,722)</u>	<u>(266,666)</u>
Net Change in Fund Balance	(87,028)	(216,637)
Fund Balance - Beginning	<u>257,964</u>	<u>474,601</u>
Fund Balance - Ending	<u>\$ 170,936</u>	<u>\$ 257,964</u>

Town of Bison
 Statements of Net Position—Modified Cash Basis—Proprietary Funds
 December 31, 2019 and 2018

	2019 Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Assets					
Current Assets					
Cash and cash equivalents	\$ 8,433	\$ 149,665	\$ 230,863	\$ -	\$ 388,961
	<u>\$ 8,433</u>	<u>\$ 149,665</u>	<u>\$ 230,863</u>	<u>\$ -</u>	<u>\$ 388,961</u>
Liabilities and Net Position					
Current Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 1,317	\$ 1,317
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,317</u>	<u>\$ 1,317</u>
Net Position					
253.90 Unrestricted net position (deficit)	\$ 8,433	\$ 149,665	\$ 230,863	\$ (1,317)	\$ 387,644
	<u>\$ 8,433</u>	<u>\$ 149,665</u>	<u>\$ 230,863</u>	<u>\$ -</u>	<u>\$ 388,961</u>

Town of Bison
 Statements of Net Position—Modified Cash Basis—Proprietary Funds
 December 31, 2019 and 2018

	2018 Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Assets					
Current Assets					
Cash and cash equivalents	\$ 34,335	\$ 134,479	\$ 226,924	\$ -	\$ 395,738
	<u>\$ 34,335</u>	<u>\$ 134,479</u>	<u>\$ 226,924</u>	<u>\$ -</u>	<u>\$ 395,738</u>
Liabilities and Net Position					
Current Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 15,748	\$ 15,748
Net Position					
253.90 Unrestricted net position (deficit)	\$ 34,335	\$ 134,479	\$ 226,924	\$ (15,748)	\$ 379,990
	<u>\$ 34,335</u>	<u>\$ 134,479</u>	<u>\$ 226,924</u>	<u>\$ -</u>	<u>\$ 395,738</u>

Town of Bison

Statements of Revenues, Expenses and Changes in Fund Net Position—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2019 and 2018

	2019				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Operating Revenue					
380 Charges for goods and services	\$ 121,751	\$ 50,733	\$ 302,192	\$ 83,097	\$ 557,773
380.5 Lottery sales	-	-	139,450	-	139,450
369 Miscellaneous	-	-	500	-	500
Total operating revenue	<u>121,751</u>	<u>50,733</u>	<u>442,142</u>	<u>83,097</u>	<u>697,723</u>
Operating Expenses					
410 Personal services	17,398	24,103	75,876	28,390	145,767
420 Other current expense	65,563	12,227	58,075	40,276	176,141
426.2 Materials	49,034	-	300,841	-	349,875
430 Capital assets	-	-	2,450	-	2,450
Total operating expenses	<u>131,995</u>	<u>36,330</u>	<u>437,242</u>	<u>68,666</u>	<u>674,233</u>
Operating Income (Loss)	<u>(10,244)</u>	<u>14,403</u>	<u>4,900</u>	<u>14,431</u>	<u>23,490</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	-	780	1,039	-	1,819
440 Debt service (principal)	(7,772)	(28,820)	-	-	(36,592)
441 Interest expense	(9,886)	(11,177)	-	-	(21,063)
369.01 Other	-	-	-	-	-
Total nonoperating revenue (expense)	<u>(17,658)</u>	<u>(39,217)</u>	<u>1,039</u>	<u>-</u>	<u>(55,836)</u>
Income (Loss) Before Transfers	<u>(27,902)</u>	<u>(24,814)</u>	<u>5,939</u>	<u>14,431</u>	<u>(32,346)</u>
391.1 Transfer in	2,000	40,000	-	-	42,000
511 Transfers out	-	-	(2,000)	-	(2,000)
Change in Net Position	<u>(25,902)</u>	<u>15,186</u>	<u>3,939</u>	<u>14,431</u>	<u>7,654</u>
Net Position - Beginning	<u>34,335</u>	<u>134,479</u>	<u>226,924</u>	<u>(15,748)</u>	<u>379,990</u>
Net Position (deficit) - Ending	<u>\$ 8,433</u>	<u>\$ 149,665</u>	<u>\$ 230,863</u>	<u>\$ (1,317)</u>	<u>\$ 387,644</u>

See Notes to Financial Statements

Town of Bison

Statements of Revenues, Expenses and Changes in Fund Net Position—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2019 and 2018

	2018				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Operating Revenue					
380 Charges for goods and services	\$ 120,170	\$ 51,558	\$ 315,130	\$ 65,191	\$ 552,049
380.5 Lottery sales	-	-	82,260	-	82,260
Total operating revenue	<u>120,170</u>	<u>51,558</u>	<u>397,390</u>	<u>65,191</u>	<u>634,309</u>
Operating Expenses					
410 Personal services	19,449	10,743	79,284	42,744	152,220
420 Other current expense	45,074	9,795	64,083	37,987	156,939
426.2 Materials	59,353	-	235,445	-	294,798
430 Capital assets	275,802	-	-	-	275,802
Total operating expenses	<u>399,678</u>	<u>20,538</u>	<u>378,812</u>	<u>80,731</u>	<u>879,759</u>
Operating Income (Loss)	<u>(279,508)</u>	<u>31,020</u>	<u>18,578</u>	<u>(15,540)</u>	<u>(245,450)</u>
Nonoperating Revenue (Expense)					
361 Investment earnings	2	425	736	-	1,163
441 Debt service (principal)	(8,350)	(27,774)	-	-	(36,124)
442 Interest expense	(9,307)	(12,019)	-	-	(21,326)
Total nonoperating revenue (expense)	<u>(17,655)</u>	<u>(39,368)</u>	<u>736</u>	<u>-</u>	<u>(56,287)</u>
Income (Loss) Before Transfers	<u>(297,163)</u>	<u>(8,348)</u>	<u>19,314</u>	<u>(15,540)</u>	<u>(301,737)</u>
391.1 Transfers in	240,697	40,000	-	-	280,697
511 Transfers out	-	-	(14,031)	-	(14,031)
Change in Net Position	<u>(56,466)</u>	<u>31,652</u>	<u>5,283</u>	<u>(15,540)</u>	<u>(35,071)</u>
Net Position - Beginning	<u>90,801</u>	<u>102,827</u>	<u>221,641</u>	<u>(208)</u>	<u>415,061</u>
Net Position - Ending	<u>\$ 34,335</u>	<u>\$ 134,479</u>	<u>\$ 226,924</u>	<u>\$ (15,748)</u>	<u>\$ 379,990</u>

Town of Bison
Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2019 and 2018

	2019				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 121,751	\$ 50,733	\$ 442,142	\$ 83,097	\$ 697,723
Payments to suppliers	(114,597)	(12,227)	(358,916)	(40,276)	(526,016)
Payments to employees	(17,398)	(24,103)	(75,876)	(28,390)	(145,767)
Internal activity - payments to other funds	-	-	-	(14,431)	(14,431)
Net Cash from (used for) Operating Activities	<u>(10,244)</u>	<u>14,403</u>	<u>7,350</u>	<u>-</u>	<u>11,509</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfer in	2,000	40,000	-	-	42,000
Transfer out	-	-	(2,000)	-	(2,000)
Net Cash from (used for) Noncapital Financing Activities	<u>2,000</u>	<u>40,000</u>	<u>(2,000)</u>	<u>-</u>	<u>40,000</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	-	-	(2,450)	-	(2,450)
Principal paid on capital debt	(7,772)	(28,820)	-	-	(36,592)
Interest paid on capital debt	(9,886)	(11,177)	-	-	(21,063)
Net Cash used for Capital and Related Financing Activities	<u>(17,658)</u>	<u>(39,997)</u>	<u>(2,450)</u>	<u>-</u>	<u>(60,105)</u>
Cash Flows from Investing Activities					
Interest earnings	-	780	1,039	-	1,819
Net Cash from Investing Activities	<u>-</u>	<u>780</u>	<u>1,039</u>	<u>-</u>	<u>1,819</u>
Net Change in Cash and Cash Equivalents	(25,902)	15,186	3,939	-	(6,777)
Cash and Cash Equivalents - Beginning	34,335	134,479	226,924	-	395,738
Cash and Cash Equivalents - Ending	<u>\$ 8,433</u>	<u>\$ 149,665</u>	<u>\$ 230,863</u>	<u>\$ -</u>	<u>\$ 388,961</u>

See Notes to Financial Statements

Town of Bison
 Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
 Years Ended December 31, 2019 and 2018

	2019				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 8,433	\$ 149,665	\$ 230,863	\$ -	\$ 388,961
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities					
Operating income (loss)	\$ (10,244)	\$ 14,403	\$ 4,900	\$ 14,431	\$ 23,490
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Purchase of capital assets	-	-	2,450	-	2,450
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:					
Due to other funds	-	-	-	(14,431)	(14,431)
Net Cash from (used for) Operating Activities	<u>\$ (10,244)</u>	<u>\$ 14,403</u>	<u>\$ 7,350</u>	<u>\$ -</u>	<u>\$ 11,509</u>

Town of Bison
Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
Years Ended December 31, 2019 and 2018

	2018				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Cash Flows from (used for) Operating Activities					
Receipt from customers	\$ 120,170	\$ 51,558	\$ 397,390	\$ 65,191	\$ 634,309
Payments to suppliers	(104,427)	(9,795)	(299,528)	(37,987)	(451,737)
Payments to employees	(19,449)	(10,743)	(79,284)	(42,744)	(152,220)
Internal activity - receipt from other funds	-	-	-	15,540	15,540
Net Cash from (used for) Operating Activities	<u>(3,706)</u>	<u>31,020</u>	<u>18,578</u>	<u>-</u>	<u>45,892</u>
Cash Flows from (used for) Noncapital Financing Activities					
Transfer in	240,697	40,000	-	-	280,697
Transfer out	-	-	(14,031)	-	(14,031)
Net Cash from (used for) Noncapital Financing Activities	<u>240,697</u>	<u>40,000</u>	<u>(14,031)</u>	<u>-</u>	<u>266,666</u>
Cash Flows used for Capital and Related Financing Activities					
Purchase of capital assets	(275,802)	-	-	-	(275,802)
Principal paid on capital debt	(8,350)	(27,774)	-	-	(36,124)
Interest paid on capital debt	(9,307)	(12,019)	-	-	(21,326)
Net Cash used for Capital and Related Financing Activities	<u>(293,459)</u>	<u>(39,793)</u>	<u>-</u>	<u>-</u>	<u>(333,252)</u>
Cash Flows from Investing Activities					
Interest earnings	2	425	736	-	1,163
Net Cash from Investing Activities	<u>2</u>	<u>425</u>	<u>736</u>	<u>-</u>	<u>1,163</u>
Net Change in Cash and Cash Equivalents	(56,466)	31,652	5,283	-	(19,531)
Cash and Cash Equivalents - Beginning	90,801	102,827	221,641	-	415,269
Cash and Cash Equivalents - Ending	<u>\$ 34,335</u>	<u>\$ 134,479</u>	<u>\$ 226,924</u>	<u>\$ -</u>	<u>\$ 395,738</u>

See Notes to Financial Statements

Town of Bison
 Statements of Cash Flows—Modified Cash Basis—Proprietary Funds
 Years Ended December 31, 2019 and 2018

	2018				
	Enterprise Funds				
	Water Fund	Sewer Fund	Liquor Fund	Solid Waste Fund	Totals
Cash and Cash Equivalents Consist of:					
Cash and cash equivalents	\$ 34,335	\$ 134,479	\$ 226,924	\$ -	\$ 395,738
Reconciliation of Operating Income (Loss) to					
Net Cash from (used for) Operating Activities					
Operating income (loss)	\$ (279,508)	\$ 31,020	\$ 18,578	\$ (15,540)	\$ (245,450)
Adjustments to reconcile operating income (loss) to					
net cash from (used for) operating activities:					
Purchase of capital assets	\$ 275,802	\$ -	\$ -	\$ -	\$ 275,802
Adjustments to reconcile operating income (loss) to					
net cash from (used for) operating activities:					
Due to other funds	-	-	-	15,540	15,540
Net Cash from (used for) Operating Activities	<u>\$ (3,706)</u>	<u>\$ 31,020</u>	<u>\$ 18,578</u>	<u>\$ -</u>	<u>\$ 45,892</u>

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

The reporting entity of the Town of Bison (the 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 Town's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, Town of Bison, and one component unit, Homestead Heights.

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

The Town has elected to present only primary government activities; thus, the financial information of Homestead Heights has not been included in the financial statements of the Town.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statements of activities display information about the Town as a whole. They include all funds of the Town except for fiduciary. 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 statements of activities present 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 Town 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% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined; or
3. Management has elected to classify one or more governmental or 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 of Bison 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 are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following major enterprise funds:

- **Water Fund** – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1).
- **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).
- **Liquor Fund** – Financed primarily by consumer charges, this fund accounts for the construction and operation of the municipal bar and related equipment.
- **Solid Waste Fund** – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal rubble site facilities, and the municipal garbage compaction/bailing and disposal/hauling operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In the government-wide statement of net position and statements 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.

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

Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involved modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such report balances include investments in certificates of deposit (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash accounts at cost and inter-fund advances and borrowing arising from the use of a pooled cash account.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

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 deposits whose term to maturity date of acquisition exceeds three months and/or those types of investments authorized by the South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

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:

- The Town presents the net residual amounts due between governmental and business-type activities, which are presented as amounts due to or due from other funds.
- The Town did not have internal service fund activity which required elimination as of December 31, 2019 and 2018.

Capital Assets

Under the modified cash basis of accounting, capital assets are expensed when the cash transaction occurs.

Long-Term Liabilities

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. Under the modified cash basis, the accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

Program Revenues

In the government-wide statements of activities, reported 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.

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's statements of revenues, expenses and changes in fund 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.

Cash and Cash Equivalents

The Town pools the cash resources of its funds for cash management purposes. The water, sewer, solid waste, and liquor 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.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and is comprised of two components: restricted net assets and unrestricted net assets. Because capital assets are not reported by the Town under the modified cash basis of accounting, only the following components are displayed:

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."

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.

Application of Net Position and Fund Balance

The Town uses restricted/committed amounts first when both restricted/committed and unrestricted fund balance are available, unless there are legal documents/contracts that prohibit doing this such as grant agreements 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.

Fund Balance Classification Policies and Procedures

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest-level action to remove or change the constraint.
- **Assigned Fund Balance** – Amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Trustees or by an official or body to which the Town Trustees delegates the authority.
- **Unassigned Fund Balance** – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Town Trustees establish (and modify or rescind) fund balance commitments by passage of an ordinance. A committed fund balance established by the Town Trustees through adoption of a resolution designating a fund balance is constrained for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

Note 2 - Deposits and Investments

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% 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.

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, 2019 and 2018, the Town maintained their deposits in in-state financial institutions which were properly collateralized in accordance with SDCL 4-6A-3.

The actual bank balances at December 31, 2019 and 2018, are as follows:

	Bank Balance	
	2019	2018
Insured (FDIC/NCUA)	\$ 354,027	\$ 326,686
Uninsured, collateral jointly held by State's/Town's agent in the name of the state and the pledging financial institution	291,692	324,561
	\$ 645,719	\$ 651,247

The Town’s carrying amount of deposits at December 31, 2019 and 2018, is as follows:

	2019	2018
Cash and cash equivalents	\$ 558,580	\$ 637,954

Investments

In general, SDCL 4-5-6 permits Town 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 (c) 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, 2019 and 2018, the Town did not hold any investments as defined by Governmental Accounting Standards Board. The Town also does not have a formal investment policy that addresses custodial credit risk, interest rate risk or credit risk.

Note 3 - 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.

Note 4 - Retirement Plan

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 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO 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 to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit 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 than 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, if the restricted maximum is assumed for future COLAs, the fair value of the 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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Town's share of contributions made to the SDRS for the years ended December 31, 2019, 2018, and 2017, were \$8,317, \$7,885, and \$6,900, respectively, equal to the required contributions each year.

Pension Liabilities (Assets) and Pension Expense

At December 31, 2019 and 2018, SDRS is 100.09% and 100.02%, respectively, funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System as of the measurement periods ending December 31, 2019 and 2018, for the Town of Bison are as follows:

	2019	2018
Proportionate share of pension liability	\$ 799,051	\$ 747,533
Less proportionate share of net pension restricted for pension benefits	799,731	747,676
Proportionate share of net pension liability (asset)	\$ (680)	\$ (143)

At December 31, 2019 and 2018, the Town reported a liability (asset) of \$(680) and \$(143), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and 2018, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Town’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Town’s proportion was 0.0064%, which is an increase of 0.001034% from its proportion measured as of June 30, 2018. At June 30, 2018, the Town’s proportion was 0.00611%, which was an increase of 0.0007328% from its proportion measured as of June 30, 2017. The Town’s proportionate share of the net pension liability (asset) is not reported in financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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%
	100.0%	

Discount Rate

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

Sensitivity of Liability (Asset) to Change in the Discount Rate

The following presents the Town's proportionate share of net pension liability (asset) as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Town's proportionate share of the net pension liability (asset)	\$112,780	\$ (680)	\$ (93,128)

Pension Plan Fiduciary Net Position

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

Note 5 - Significant Contingencies – Litigation

At December 31, 2019 and 2018, the Town was not involved in any litigation that would be material to the financial statements.

Note 6 - Significant Commitments

The Town entered into a contract for the completion of a new access road/parking lot at the Bison Municipal Airport which is being funded with awarded grant dollars. As of December 31, 2019, \$59,744 is remaining to be paid on the project.

Note 7 - Restricted Net Position

Restricted net position for the years ended December 31, 2019 and 2018, were as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>2019</u>	<u>2018</u>
General	Statute	\$ 9,887	\$ 14,188

Note 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 years ended December 31, 2019 and 2018, the Town managed its risks as follows:

Employee Health Insurance

The Town purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Town 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 from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation

The Town joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The 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 workers' compensation claims. The Town pays an annual premium to provide workers' compensation coverage to its employees under a self-funded program and the premiums are paid 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 during the past three years.

Unemployment Benefits

The Town has elected to be self-insured and retain all risk for liabilities resulting from claims for employment benefits.

During the years ended December 31, 2019 and 2018, no claims for unemployment benefits were paid. At December 31, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 9 - Interfund Transfers

Interfund transfers are comprised of the following:

2019

Transfers from:

General Fund to Sewer Fund to supplement operations	\$ 40,000
Liquor Fund to Water Fund to supplement operations	2,000

2018

Transfers from:

General Fund to Sewer Fund to supplement operations	\$ 40,000
General Fund to Water Fund to supplement operations	226,666
Liquor Fund to Water Fund to supplement operations	14,031

Note 10 - Subsequent Events

Subsequent to year-end, the Town received a \$20,000 COVID relief grant from the Federal Aviation Administration to help offset operational costs. The Town was also eligible for federal CARES Act monies in which \$19,878 of COVID related expenses were submitted and reimbursed.



Supplementary Information
December 31, 2019 and 2018
Town of Bison

Town of Bison
 Schedule of Net Pension Liability (Asset) and Schedule of Pension Contributions
 December 31, 2019

Pension Plan	Fiscal Year Ending *	Town's Percentage of the Net Pension Liability (Asset)	Town's Proportionate Share of the Net Pension Liability (Asset) (a)	Town's Covered Payroll (b)	Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2019	0.0064%	(680)	\$ 135,904	-0.5%	100.1%
SDRS	6/30/2018	0.0061%	(143)	122,437	-0.1%	100.0%
SDRS	6/30/2017	0.0054%	(488)	107,629	-0.5%	100.1%
SDRS	6/30/2016	0.0055%	18,505	103,965	17.8%	96.9%
SDRS	6/30/2015	0.0048%	(20,563)	88,517	-23.2%	104.1%

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

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2019	\$ 8,317	8,317	\$ -	\$ 138,611	6.0%
SDRS	12/31/2018	7,885	7,885	-	131,409	6.0%
SDRS	12/31/2017	6,900	6,900	-	115,006	6.0%
SDRS	12/31/2016	6,156	6,156	-	102,598	6.0%
SDRS	12/31/2015	5,734	5,734	-	95,567	6.0%
SDRS	12/31/2014	4,767	4,767	-	79,450	6.0%

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

Town of Bison
Schedules of Changes in Long-Term Debt
Years Ended December 31, 2019 and 2018

<u>Indebtedness</u>	<u>Long-Term Debt 1/1/18</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/18</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 12/31/19</u>
USDA SRF Loan	\$ 408,894	\$ 27,774	\$ 381,120	\$ 28,820	\$ 352,300
Perkins County Rural Water Systems, Inc. Assessment	335,822	8,350	327,472	7,772	319,700
	<u>\$ 744,716</u>	<u>\$ 36,124</u>	<u>\$ 708,592</u>	<u>\$ 36,592</u>	<u>\$ 672,000</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	2019			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 183,213	\$ 183,213	\$ 180,952	\$ (2,261)
313 General sales and use taxes	175,000	175,000	93,307	(81,693)
314 Gross receipts business taxes	2,250	2,250	2,567	317
319 Penalties and interest on delinquent taxes	-	-	256	256
Total taxes	<u>360,463</u>	<u>360,463</u>	<u>277,082</u>	<u>(83,381)</u>
330 Intergovernmental revenue				
331 Federal grants	199,500	251,510	52,010	(199,500)
335 State shared revenue				
335.01 Bank franchise tax	2,000	2,000	1,935	(65)
335.02 Motor vehicle commercial prorated	3,500	3,500	3,557	57
335.03 Liquor tax reversion	2,000	2,000	2,170	170
335.04 Motor vehicle licenses (5%)	12,000	12,000	10,310	(1,690)
335.08 Local government highway and bridge fund	16,000	16,000	15,135	(865)
336 State payments in lieu of taxes	2,500	2,500	-	(2,500)
338 County shared revenue				
338.99 Other	-	-	3,111	3,111
Total intergovernmental revenue	<u>237,500</u>	<u>289,510</u>	<u>88,228</u>	<u>(201,282)</u>
340 Charges for goods and services				
341 General government	100	100	258	158
346 Culture and recreation	3,200	3,200	2,962	(238)
Total charges for goods and services	<u>3,300</u>	<u>3,300</u>	<u>3,220</u>	<u>(80)</u>
350 Fines and forfeits				
354 Library	4,500	-	4,074	4,074
Total fines and forfeits	<u>4,500</u>	<u>-</u>	<u>4,074</u>	<u>4,074</u>
360 Miscellaneous revenue				
361 Investment earnings	2,500	2,500	4,271	1,771
369 Other	5,855	5,855	12,624	6,769
Total miscellaneous revenue	<u>8,355</u>	<u>8,355</u>	<u>16,895</u>	<u>8,540</u>
Total revenues	<u>614,118</u>	<u>661,628</u>	<u>389,499</u>	<u>(272,129)</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	2019			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	13,020	13,020	10,748	2,272
411.5 Contingency	50,000	50,000	-	50,000
Amount transferred		(2,598)	-	(2,598)
412 Executive	18,946	18,958	18,421	537
413 Elections	925	925	13	912
414 Financial administration	21,409	21,409	17,050	4,359
419 Other	2,420	5,006	11,004	(5,998)
Total general government	<u>106,720</u>	<u>106,720</u>	<u>57,236</u>	<u>49,484</u>
420 Public safety				
421 Police	20,400	20,400	20,400	-
422 Fire	20,000	20,000	20,000	-
Total public safety	<u>40,400</u>	<u>40,400</u>	<u>40,400</u>	<u>-</u>
430 Public works				
431 Highways and streets	247,047	247,047	149,063	97,984
435 Airport	267,134	319,144	126,757	192,387
437 Cemeteries	500	500	461	39
Total public works	<u>514,681</u>	<u>566,691</u>	<u>276,281</u>	<u>290,410</u>
440 Health and welfare				
441 Health	2,281	2,281	13	2,268
443 Mental health centers	600	600	600	-
446 Ambulance	10,000	10,000	10,000	-
Total health and welfare	<u>12,881</u>	<u>12,881</u>	<u>10,613</u>	<u>2,268</u>
450 Culture and recreation				
451 Recreation	14,575	14,575	2,500	12,075
452 Parks	22,000	22,000	21,606	394
455 Libraries	24,158	24,158	26,304	(2,146)
458 Museums	1,800	1,800	1,765	35
Total culture and recreation	<u>62,533</u>	<u>62,533</u>	<u>52,175</u>	<u>10,358</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	10,150	10,150	5,100	5,050
Total conservation and development	<u>10,150</u>	<u>10,150</u>	<u>5,100</u>	<u>5,050</u>
Total expenditures	<u>747,365</u>	<u>799,375</u>	<u>441,805</u>	<u>357,570</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
511 Transfers out	(40,000)	(40,000)	(40,000)	-
391.03 Sale of municipal property	-	-	5,278	5,278
Total other financing uses	<u>(40,000)</u>	<u>(40,000)</u>	<u>(34,722)</u>	<u>5,278</u>
Excess of Revenue over (under) Expenditures	(173,247)	(177,747)	(87,028)	90,719
Fund Balance - Beginning	<u>257,964</u>	<u>257,964</u>	<u>257,964</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 84,717</u>	<u>\$ 80,217</u>	<u>\$ 170,936</u>	<u>\$ 90,719</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 176,168	\$ 176,168	\$ 173,922	\$ (2,246)
313 General sales and use taxes	175,000	175,000	172,947	(2,053)
314 Gross receipts business taxes	2,250	2,250	2,677	427
319 Penalties and interest on delinquent taxes	-	-	582	582
Total taxes	<u>353,418</u>	<u>353,418</u>	<u>350,128</u>	<u>(3,290)</u>
330 Intergovernmental revenue				
331 Federal grants	174,800	174,800	-	(174,800)
335 State shared revenue				
335.01 Bank franchise tax	1,875	1,875	1,652	(223)
335.02 Motor vehicle commercial prorate	2,725	2,725	2,173	(552)
335.03 Liquor tax reversion	2,000	2,000	2,094	94
335.04 Motor vehicle licenses (5%)	12,000	12,000	10,557	(1,443)
335.08 Local government highway and bridge fund	15,975	15,975	14,731	(1,244)
336 State payments in lieu of taxes	500	500	1,685	1,185
Total intergovernmental revenue	<u>209,875</u>	<u>209,875</u>	<u>32,892</u>	<u>(176,983)</u>
340 Charges for goods and services				
341 General government	2,620	2,620	147	(2,473)
346 Culture and recreation	4,200	4,200	3,081	(1,119)
Total charges for goods and services	<u>6,820</u>	<u>6,820</u>	<u>3,228</u>	<u>(3,592)</u>
350 Fines and forfeits				
354 Library	4,206	4,206	4,131	(75)
	<u>4,206</u>	<u>4,206</u>	<u>4,131</u>	<u>(75)</u>
360 Miscellaneous revenue				
361 Investment earnings	2,875	2,875	3,682	807
369 Other	6,500	6,500	9,289	2,789
Total miscellaneous revenue	<u>9,375</u>	<u>9,375</u>	<u>12,971</u>	<u>3,596</u>
Total revenues	<u>583,694</u>	<u>583,694</u>	<u>403,350</u>	<u>(180,344)</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	2018			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures				
410 General government				
411 Legislative	14,820	14,820	11,445	3,375
411.5 Contingency	50,000	50,000	-	50,000
Amount transferred	-	(2,598)	-	(2,598)
412 Executive	17,452	17,464	17,765	(301)
413 Elections	700	700	307	393
414 Financial administration	29,451	29,451	27,705	1,746
419 Other	2,200	4,786	13,333	(8,547)
Total general government	<u>114,623</u>	<u>114,623</u>	<u>70,555</u>	<u>44,068</u>
420 Public safety				
421 Police	19,000	19,000	19,000	-
422 Fire	15,000	15,000	15,000	-
Total public safety	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>-</u>
430 Public works				
431 Highways and streets	218,932	218,932	104,233	114,699
435 Airport	242,783	242,783	78,650	164,133
437 Cemeteries	770	770	500	270
Total public works	<u>462,485</u>	<u>462,485</u>	<u>183,383</u>	<u>279,102</u>
440 Health and welfare				
441 Health	2,282	2,282	-	2,282
443 Mental health centers	600	600	600	-
446 Ambulance	10,000	10,000	10,000	-
Total health and welfare	<u>12,882</u>	<u>12,882</u>	<u>10,600</u>	<u>2,282</u>
450 Culture and recreation				
451 Recreation	2,500	2,500	2,500	-
452 Parks	36,370	36,370	21,949	14,421
455 Libraries	23,698	23,698	20,434	3,264
458 Museums	1,800	1,800	1,800	-
Total culture and recreation	<u>64,368</u>	<u>64,368</u>	<u>46,683</u>	<u>17,685</u>
460 Conservation and development				
465 Economic development and assistance (industrial development)	8,100	8,100	8,100	-
Total conservation and development	<u>8,100</u>	<u>8,100</u>	<u>8,100</u>	<u>-</u>
Total expenditures	<u>696,458</u>	<u>696,458</u>	<u>353,321</u>	<u>343,137</u>

Town of Bison
 Budgetary Comparison Schedules—General Fund
 Years Ended December 31, 2019 and 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
511 Transfers out	(266,666)	(266,666)	(266,666)	-
Total other financing sources (uses)	(266,666)	(266,666)	(266,666)	-
Excess of Revenue over (under) Expenditures	(379,430)	(379,430)	(216,637)	162,793
Fund Balance - Beginning	474,601	474,601	474,601	-
Fund Balance - Ending	\$ 95,171	\$ 95,171	\$ 257,964	\$ 162,793

Note 1 - Budgets and Budgetary Accounting

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

1. At the first regular meeting of the Town Trustees in September of each year or within ten days thereafter, the Town Trustees introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Town 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% of the total municipal budget and may be transferred by resolution of the Town 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 Trustees.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

The Town did not encumber any amounts at December 31, 2019 and 2018.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budget for the General Fund is adopted on a basis consistent with a modified cash basis of accounting.

Note 2 - Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared on 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 statements of revenues, expenditures and changes in fund balances; however, in the budgetary schedules, 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.

Note 3 - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Pension Contributions

Changes of Benefit Provision

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



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*

The Town Trustees
Town of Bison
Bison, 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 Town of Bison (the Town) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated February 15, 2021. In our report, we issued an adverse opinion on the aggregate discretely presented component unit because the statements included only the primary government and not the Town’s legally separate component unit. The statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001, 2019-002, 2018-001, and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 Standards*.

Town of Bison's Responses to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



Aberdeen, South Dakota
February 15, 2021

2019-001 and 2018-001 - Preparation of Financial Statements, Footnotes, Audit Journal Entries, and Passed Audit Adjustments

Material Weakness

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

Condition: The Town of Bison does not have an internal control system designed to provide for the preparation of the financial statements being audited and as part of the audit the auditors prepared the financial statements and related footnotes. As a part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the Town's internal control and, therefore, could result in a misstatement of the Town's financial statements. Additionally, our audit procedures identified certain misstatements that were passed on by management as they were considered not material to the financial statements taken as a whole, as applicable to each respective opinion unit.

Cause: The Town does not have adequate staff trained to prepare financial statements and the related footnotes which could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure that modified cash basis of accounting have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

2019-002 and 2018-002 - Lack of Segregation of Duties

Material Weakness

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Town of Bison has a limited number of office personnel and, accordingly, does not have an adequate segregation of duties within the accounting function to ensure adequate internal controls in revenue, expenditures, and payroll functions.

Cause: The Town has insufficient number of staff to adequately separate duties.

Effect: This condition may affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We also recommend that the Town Trustees adequately review the accounting transactions and reports prepared by the Finance Officer on a regular basis.

Views of Responsible Officials: Management agrees with the finding.