

**MUNICIPALITY OF BRYANT
SCHEDULE OF FINDINGS
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

MUNICIPALITY OF BRYANT

MUNICIPALITY OF BRYANT
MUNICIPAL OFFICIALS
DECEMBER 31, 2018

Winfred Noem	Mayor	
Shaine Weelborg	Governing Board President	Ward I
Joe Moeller	Governing Board	Ward I
Darin Williamson	Governing Board	Ward II
Kendall Wendling	Governing Board	Ward II
Sally Rosin	Governing Board	Ward III
Ken Pedersen	Governing Board Vice President	Ward III
Kristie Sikkink	Finance Officer	
Todd Wilkinson	Attorney	

MUNICIPALITY OF BRYANT

MUNICIPALITY OF BRYANT
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GRANT AND WILLIAMS, INC.

Certified Public Accountants

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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

To the Municipal Council of
Municipality of Bryant:

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 Municipality of Bryant, South Dakota (Municipality), as of December 31, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 15, 2020 which the opinion was unmodified.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected

and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as items 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object 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*.

Municipality's Response to Findings

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

Grant and Williams, Inc.
Certified Public Accountants
January 15, 2020

MUNICIPALITY OF BRYANT
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

Finding No. 2017-001: Segregation of Duties

A reportable condition and material weakness in internal controls was noted due to lack of proper segregation of duties for revenues. The Municipal Council has added procedures for the Council to do to help reduce the risks of not having proper segregation of duties for revenues but not to eliminate the finding. This finding is restated as a current audit finding number 2018-001.

Finding No. 2017-002: Budget Over Expenditure

A reportable condition and material weakness in internal controls was noted due to spending in excess of appropriated amounts in the TIP # 1 Debt Service Fund. The Municipal Council did not amend the budget when they received more property taxes and paid more on the debt service than was budgeted. This finding is restated as a current audit finding number 2018-002.

MUNICIPALITY OF BRYANT
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF CURRENT AUDIT FINDINGS

Finding No. 2018-001: A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues.

Analysis: The finance officer processed all revenue transactions from beginning to end. The finance officer was able to receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements and prepare financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the municipality.

Recommendation: We recommend that municipal 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.

Auditee's Corrective Action Plan: The municipal council will continue to monitor the finance office's revenue process through monthly council reports and the implementation of compensating internal controls, whenever, and wherever possible.

Finding No. 2018-002: A material weakness in internal controls was noted due to spending in excess of appropriated amounts in the TIF #1 Project Fund.

Analysis: The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. Before the spending in excess of the appropriated amount the budget should have been amended.

Recommendation: We recommend that municipal officials be cognizant of the budget to actual expenditures and amend the budget if needed to prevent spending in excess of the appropriations.

Auditee's Corrective Action Plan: The municipal council will monitor the budget to actual expenditures and amend the budget if needed to prevent spending in excess of the appropriations in the future.

Kristie Sikkink, Finance Officer, is the contact person at this entity responsible for the corrective action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Municipality of Bryant is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

CLOSING CONFERENCE

The contents of this report were discussed with Mayor Winfred Noem; Kristie Sikkink, Finance Officer; and Shaine Weelborg, Council President on January 15, 2020.

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Municipality of Bryant
Bryant, 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 Municipality of Bryant, South Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

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

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 Municipality of Bryant, South Dakota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows 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. to the financial statements, which describe 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 Municipality's basic financial statements. The Budgetary Comparison Schedules – Budgetary Basis – General Fund, Debt Service – TIF #1, and Capital Project – TIF #1, the Schedule of Changes in Long-Term Debt, Schedule of the Municipality's Proportionate Share of the Net Pension Liability, and Schedule of the Municipality's Contributions as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Grant and Williams, Inc.
Certified Public Accountants
January 15, 2020

**MUNICIPALITY OF BRYANT
BASIC FINANCIAL STATEMENTS**

MUNICIPALITY OF BRYANT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 569,636.65	\$ 1,379,719.63	\$ 1,949,356.28
Investments	-	405,620.14	405,620.14
Restricted Assets:			
Cash and cash equivalents	3,642.39	25,438.00	29,080.39
TOTAL ASSETS	573,279.04	1,810,777.77	2,384,056.81
 NET POSITION:			
Restricted for:			
Debt Service Purposes	3,642.39	6,588.00	10,230.39
Other Purposes	-	18,850.00	18,850.00
Unrestricted	569,636.65	1,785,339.77	2,354,976.42
TOTAL NET POSITION	\$ 573,279.04	\$ 1,810,777.77	\$ 2,384,056.81

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

MUNICIPALITY OF BRYANT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
Governmental Activities:			
General Government	\$ 108,407.81	\$ 37.00	\$ -
Public Safety	35,212.67	32.50	-
Public Works	62,377.06	35,442.27	10,735.58
Culture and Recreation	56,867.80	12,190.19	-
Conservation and Development	20,000.00	-	-
Miscellaneous Expenditures	-	2,700.00	-
Interest on Long-Term Debt	34,971.00	-	-
Total Governmental Activities	317,836.34	50,401.96	10,735.58
Business-type Activities:			
Water	120,216.78	111,382.45	-
Electric	447,279.42	586,666.88	-
Sewer	27,437.74	57,295.82	-
Total Business-Type Activities	594,933.94	755,345.15	-
Total Primary Government	<u>\$ 912,770.28</u>	<u>\$ 805,747.11</u>	<u>\$ 10,735.58</u>

General Revenues:

Taxes:

 Property Taxes

 Sales Taxes

 State Shared Revenues

 Unrestricted Investment Earnings

 Miscellaneous Revenue

Total General Revenues and Transfers

Change in Net Position

Net Position-Beginning

Net Position-Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Capital Grants and Contributions	Primary Government		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (108,370.81)	\$ -	\$ (108,370.81)
-	(35,180.17)	-	(35,180.17)
-	(16,199.21)	-	(16,199.21)
-	(44,677.61)	-	(44,677.61)
-	(20,000.00)	-	(20,000.00)
-	2,700.00	-	2,700.00
-	(34,971.00)	-	(34,971.00)
-	(256,698.80)	-	(256,698.80)
-	-	(8,834.33)	(8,834.33)
-	-	139,387.46	139,387.46
-	-	29,858.08	29,858.08
-	-	160,411.21	160,411.21
<u>\$ -</u>	<u>(256,698.80)</u>	<u>160,411.21</u>	<u>(96,287.59)</u>
	192,951.65	-	192,951.65
	185,694.26	-	185,694.26
	17,499.54	-	17,499.54
	5,258.59	2,458.43	7,717.02
	1,763.99	-	1,763.99
	<u>403,168.03</u>	<u>2,458.43</u>	<u>405,626.46</u>
	146,469.23	162,869.64	309,338.87
	<u>426,809.81</u>	<u>1,647,908.13</u>	<u>2,074,717.94</u>
	<u>\$ 573,279.04</u>	<u>\$ 1,810,777.77</u>	<u>\$ 2,384,056.81</u>

**MUNICIPALITY OF BRYANT
GOVERNMENTAL FUNDS**

**MUNICIPALITY OF BRYANT
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 569,636.65	\$ -	\$ -	\$ 569,636.65
Restricted Assets:				
Cash and cash equivalents	-	3,642.39	-	3,642.39
TOTAL ASSETS	<u>569,636.65</u>	<u>3,642.39</u>	<u>-</u>	<u>573,279.04</u>
FUND BALANCES:				
Restricted	-	3,642.39	-	3,642.39
Unassigned	569,636.65	-	-	569,636.65
TOTAL FUND BALANCES	<u>\$ 569,636.65</u>	<u>\$ 3,642.39</u>	<u>\$ -</u>	<u>\$ 573,279.04</u>

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

MUNICIPALITY OF BRYANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH
BASIS - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 157,551.91	\$ 34,971.00	\$ -	\$ 192,522.91
General Sales and Use Taxes	185,694.26	-	-	185,694.26
Amusement Taxes	60.00	-	-	60.00
Penalties and Interest on Delinquent Taxes	368.74	-	-	368.74
Total Taxes	<u>343,674.91</u>	<u>34,971.00</u>	<u>-</u>	<u>378,645.91</u>
Licenses and Permits	<u>7.00</u>	<u>-</u>	<u>-</u>	<u>7.00</u>
State Shared Revenue:				
Bank Franchise Tax	1,530.56	-	-	1,530.56
Motor Vehicle Commercial Prorate	1,599.25	-	-	1,599.25
Liquor Tax Reversion	2,868.07	-	-	2,868.07
Local Government Highway and Bridge Fund	9,678.12	-	-	9,678.12
Other	1,425.00	-	-	1,425.00
County Shared Revenue:				
County Road Tax (25%)	894.16	-	-	894.16
County Wheel Tax	163.30	-	-	163.30
Other	11,675.91	-	-	11,675.91
Total Intergovernmental Revenue	<u>29,834.37</u>	<u>-</u>	<u>-</u>	<u>29,834.37</u>
Charges for Goods and Services:				
General Government	30.00	-	-	30.00
Sanitation	29,062.65	-	-	29,062.65
Culture and Recreation	9,258.19	-	-	9,258.19
Total Charges for Goods and Services	<u>38,350.84</u>	<u>-</u>	<u>-</u>	<u>38,350.84</u>
Fines and Forfeits:				
Court Fines and Costs	32.50	-	-	32.50
Total Fines and Forfeits	<u>32.50</u>	<u>-</u>	<u>-</u>	<u>32.50</u>
Miscellaneous Revenue:				
Investment Earnings	5,258.59	-	-	5,258.59
Rentals	2,932.00	-	-	2,932.00
Liquor Operating Agreement Income	2,700.00	-	-	2,700.00
Other	6,544.36	-	-	6,544.36
Total Miscellaneous Revenue	<u>17,434.95</u>	<u>-</u>	<u>-</u>	<u>17,434.95</u>
Total Revenue	<u>\$ 429,334.57</u>	<u>34,971.00</u>	<u>-</u>	<u>\$ 464,305.57</u>

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Expenditures:				
General Government:				
Legislative	\$ 13,954.09	-	-	\$ 13,954.09
Financial Administration	68,652.50	-	-	68,652.50
Other	25,801.22	-	-	25,801.22
Total General Government	<u>108,407.81</u>	<u>-</u>	<u>-</u>	<u>108,407.81</u>
Public Safety:				
Police	15,556.67	-	-	15,556.67
Fire	19,656.00	-	-	19,656.00
Total Public Safety	<u>35,212.67</u>	<u>-</u>	<u>-</u>	<u>35,212.67</u>
Public Works:				
Highways and Streets	26,637.96	-	-	26,637.96
Sanitation	35,739.10	-	-	35,739.10
Total Public Works	<u>62,377.06</u>	<u>-</u>	<u>-</u>	<u>62,377.06</u>
Culture and Recreation:				
Recreation	49,577.71	-	-	49,577.71
Parks	7,290.09	-	-	7,290.09
Total Culture and Recreation	<u>56,867.80</u>	<u>-</u>	<u>-</u>	<u>56,867.80</u>
Conservation and Development:				
Economic Development	20,000.00	-	-	20,000.00
Total Conservation and Development	<u>20,000.00</u>	<u>-</u>	<u>-</u>	<u>20,000.00</u>
Debt Service	<u>-</u>	<u>34,971.00</u>	<u>-</u>	<u>34,971.00</u>
Total Expenditures	<u>282,865.34</u>	<u>34,971.00</u>	<u>-</u>	<u>317,836.34</u>
Excess of Revenues Over (Under) Expenditures	146,469.23	-	-	146,469.23
Other Financing Sources (Uses):				
Transfers In (Out)	81,589.73	-	(81,589.73)	-
Total Other Financing Sources (Uses)	<u>81,589.73</u>	<u>-</u>	<u>(81,589.73)</u>	<u>-</u>
Net Change in Fund Balance	228,058.96	-	(81,589.73)	146,469.23
Fund Balance - Beginning	341,577.69	3,642.39	81,589.73	426,809.81
FUND BALANCE- ENDING	<u>\$ 569,636.65</u>	<u>\$ 3,642.39</u>	<u>\$ -</u>	<u>\$ 573,279.04</u>

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

**MUNICIPALITY OF BRYANT
PROPRIETARY FUNDS**

MUNICIPALITY OF BRYANT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 146,164.87	\$ 1,006,890.63	\$ 226,664.13	\$ 1,379,719.63
Investments	40,321.59	288,848.51	76,450.04	405,620.14
Restricted Cash and Cash Equivalents	-	18,850.00	6,588.00	25,438.00
Total Current Assets	<u>186,486.46</u>	<u>1,314,589.14</u>	<u>309,702.17</u>	<u>1,810,777.77</u>
TOTAL ASSETS	<u><u>\$ 186,486.46</u></u>	<u><u>\$ 1,314,589.14</u></u>	<u><u>\$ 309,702.17</u></u>	<u><u>\$ 1,810,777.77</u></u>
NET POSITION:				
Restricted for:				
Revenue Bond Debt Service	\$ -	\$ -	\$ 6,588.00	\$ 6,588.00
Other Purposes Customer Deposits	-	18,850.00	-	18,850.00
Unrestricted	<u>186,486.46</u>	<u>1,295,739.14</u>	<u>303,114.17</u>	<u>1,785,339.77</u>
TOTAL NET POSITION	<u><u>\$ 186,486.46</u></u>	<u><u>\$ 1,314,589.14</u></u>	<u><u>\$ 309,702.17</u></u>	<u><u>\$ 1,810,777.77</u></u>

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

MUNICIPALITY OF BRYANT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
Operating Revenue:				
Charges for Goods and Services	\$ 104,157.73	\$ 581,166.88	\$ 47,107.82	\$ 732,432.43
Revenue Dedicated to Servicing Debt	7,224.72	-	10,188.00	17,412.72
Miscellaneous	-	-	-	-
Total Operating Revenue	111,382.45	581,166.88	57,295.82	749,845.15
Operating Expenses:				
Personal Services	-	66,096.49	-	66,096.49
Other Current Expense	56,207.45	77,078.00	1,110.11	134,395.56
Materials	46,784.61	302,613.93	3,639.63	353,038.17
Capital Assets	10,000.00	1,491.00	12,500.00	23,991.00
Total Operating Expenses	112,992.06	447,279.42	17,249.74	577,521.22
Operating Income (Loss)	(1,609.61)	133,887.46	40,046.08	172,323.93
Nonoperating Revenue (Expense):				
Investment Earnings	147.49	1,740.77	570.17	2,458.43
Debt Service (Principal)	(4,808.17)	-	(9,432.69)	(14,240.86)
Interest Expense	(2,416.55)	-	(755.31)	(3,171.86)
Other	-	5,500.00	-	5,500.00
Total Nonoperating Revenue (Expense)	(7,077.23)	7,240.77	(9,617.83)	(9,454.29)
Change in Net Position	(8,686.84)	141,128.23	30,428.25	162,869.64
Net Position - Beginning	195,173.30	1,173,460.91	279,273.92	1,647,908.13
NET POSITION - ENDING	\$ 186,486.46	\$ 1,314,589.14	\$ 309,702.17	\$ 1,810,777.77

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

MUNICIPALITY OF BRYANT
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2018

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 111,382.45	\$ 581,166.88	\$ 57,295.82	\$ 749,845.15
(Payments) to Suppliers	(102,992.06)	(379,691.93)	(4,749.74)	(487,433.73)
(Payments) to Employees	-	(66,096.49)	-	(66,096.49)
Net Cash Provided (Used) by Operating Activities	<u>8,390.39</u>	<u>135,378.46</u>	<u>52,546.08</u>	<u>196,314.93</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase (Paid) of Capital Assets	(10,000.00)	(1,491.00)	(12,500.00)	(23,991.00)
Principal (Paid) on Capital Debt	(4,808.17)	-	(9,432.69)	(14,240.86)
Interest (Paid) on Capital Debt	(2,416.55)	-	(755.31)	(3,171.86)
Other Receipts (Payments)	-	5,500.00	-	5,500.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,224.72)</u>	<u>4,009.00</u>	<u>(22,688.00)</u>	<u>(35,903.72)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	147.49	1,740.77	570.17	2,458.43
Net Cash Provided (Used) by Investing Activities	<u>147.49</u>	<u>1,740.77</u>	<u>570.17</u>	<u>2,458.43</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,686.84)	141,128.23	30,428.25	162,869.64
Cash and Cash Equivalents - Beginning	195,173.30	1,173,460.91	279,273.92	1,647,908.13
Cash and Cash Equivalents - Ending	<u>\$ 186,486.46</u>	<u>\$ 1,314,589.14</u>	<u>\$ 309,702.17</u>	<u>\$ 1,810,777.77</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (1,609.61)	\$ 133,887.46	\$ 40,046.08	\$ 172,323.93
Adjustments to reconcile operating income to net cash provided by operating activities:				
Purchase of Capital Assets	<u>10,000.00</u>	<u>1,491.00</u>	<u>12,500.00</u>	<u>23,991.00</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,390.39</u>	<u>\$ 135,378.46</u>	<u>\$ 52,546.08</u>	<u>\$ 196,314.93</u>

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

MUNICIPALITY OF BRYANT
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 (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 Municipality or it meets the following criteria:

- 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
- 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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

- 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 Municipality financial reporting entity are described below:

Governmental Funds:

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

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

TIF #1 Project Fund – is to account for property taxes which may be used only for the payment of the debt principal, interest and related costs. The Municipality declared this as a major fund.

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

Capital Projects Fund – is to account for financial resources to be used for the TIF #1 Project. The Municipality declared this as 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 the net revenues from fees and charges and the full faith and credit of a related primary government – 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” form the revenues of the activity.)*
- b. Laws or regulations require that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electric system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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 Municipality’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 in 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. Acceptable modifications to the cash basis of accounting implemented by the Municipality 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 Municipality 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 would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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:

As discussed in Note 1c 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 Municipality 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 Municipality and the related depreciation are not reported on the financial statements of the Municipality.

f. Long-term Liabilities:

As discussed in Note 1c 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 Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality 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 Municipality 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 Municipality’s taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Financial Statements:

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

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

- 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.

In the current year there are no Nonspendable Fund Balances.

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

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

The Municipality does not have any major special revenue funds.

The Municipality’s restricted fund balances are due to statutory requirements.

A schedule of fund balances is provided as follows:

	General Fund	TIF #1 Project Fund	Total Governmental Funds
FUND BALANCES:			
Restricted			
Debt Service Purposes	\$ -	\$ 3,642.39	\$ 3,642.39
Unassigned	569,636.65	-	569,636.65
TOTAL FUND BALANCES	\$ 569,636.65	\$ 3,642.39	\$ 573,279.04

2. Violations of Finance-related Legal and Contractual Provisions:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The Municipality had over expenditures in the General Fund – General Government – Other of \$169.22 and in the Debt Service TIF #1 Fund – Debt Service of \$2,971.00.

The Municipality will try to amend the budget when they realize that they are nearing the original budgeted amount in the future.

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

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

Deposits – The Municipality’s cash deposits are made in qualified public depositories as defined by SDCL 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.

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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

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

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality’s deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2018 the Municipality’s deposits in Bryant State Bank were not exposed to custodial credit risk as the Bank was fully collateralized.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that is in the possession of an outside party.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality’s policy is to credit all income from investments to the fund making the investment.

4. Restricted Cash and Investments:

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 3,642.39	For TIF #1 Project
\$ 6,588.00	For Debt Service by debt covenants
\$ 18,850.00	For Deposits in the Electric Fund

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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

6. Long-Term Debt:

Debt payable at December 31, 2018 is comprised of the following:

	December 31, 2018	Due Within One Year
Governmental Long-Term Debt:		
<u>Other Long-term Liabilities</u>		
TIF #1 Loan; interest rate of 5.35%; bi-annual payments made in June and December of the TIF property taxes receipts received in year.	\$ 206,319.11	\$ 21,091.99
Enterprise Long-Term Debt:		
<u>Revenue Bonds:</u>		
Sewer Utility Revenue Bonds, Series 2001; matures in 2042; interest rate 4.75%; monthly payments of \$849.00. Financed through the Sewer Fund	11,149.73	9,871.42
Water Safe Drinking Revenue Bonds, Series 2000; matures on January 1, 2032; interest rate 3%; quarterly payments of \$1,806.18. Financed through the Water Fund	77,535.04	4,954.06
	\$ 88,684.77	\$ 14,825.48

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments, are as follows:

YEAR	REVENUE BONDS		TIF # 1 LOAN		TOTALS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	\$ 14,825.48	\$ 2,587.24	\$ 21,091.99	\$ 10,908.01	\$ 35,917.47	\$ 13,495.25
2020	6,382.67	2,125.42	22,223.33	9,776.67	28,606.00	11,902.09
2021	5,259.20	1,965.52	23,473.41	8,526.59	28,732.61	10,492.11
2022	5,418.78	1,805.94	24,763.94	7,236.06	30,182.72	9,042.00
2023	5,583.18	1,641.54	26,125.43	5,874.57	31,708.61	7,516.11
2024 - 2028	30,561.90	5,561.70	88,641.01	8,736.79	119,202.91	14,298.49
2029 - 2032	20,653.56	1,020.60	-	-	20,653.56	1,020.60
	\$ 88,684.77	\$ 16,707.96	\$ 206,319.11	\$ 51,058.69	\$ 295,003.88	\$ 67,766.65

On November 5, 2014 the City received \$325,000 in a Tax Increment Loan from Bryant State Bank. They make semi-annual payments in June and December based on the amount of property taxes collected for the TIF revenue bond until the loan is paid.

The significant covenants for the Drinking Water State Revolving Fund Loan include:

1. The system property is to be insured with property and casualty insurance and liability insurance with insurers licensed to do business in the State, or risk pool coverage programs described in SDCL Chapter 3-22 against such risks and in such amounts as are customary in the State for entities of the same or similar size and type of facilities.
2. Each year the final budget needs to be sent to the South Dakota Conservancy District within 30 days of adoption.

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

3. A copy of the financial and compliance audit required by state law must be sent to the South Dakota Conservancy District within 15 days of approval by the State Department of Legislative Audit. If the audit report is for two fiscal years it must be completed within one year of the last fiscal year included in the audit.
4. Each fiscal year the Municipality shall ensure that the Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such year. Net Revenues Available for Debt Service is defined as “total operating revenues from the system, excluding investment income, grants, penalties, hook-up fees, sign-up fees, membership fees and similar income not received from the use of the System by the users, but including the proceeds of any business interruption insurance, less expenses of such System other than amortization of financing expenses, depreciation and interest, provided there shall be excluded from both revenues and expenses any profits or losses on the early extinguishment of debt or the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and other extraordinary gains or losses.” System Debt Service is defined as “for the period of determination, all required payments of principal and interest, including mandatory sinking fund redemptions, on all System Revenue Debt of the Borrower.”

The Municipality is in compliance with all covenants for the Drinking Water State Revolving Fund Loan.

The Water Fund use charges must be established to a level not less than 110% of principal and interest due in the same year. The required amount was \$7,947.19; the Water Fund Net Revenues Available for Debt Service were \$7,124.33 which did meet the requirement during the current year.

The significant covenants for the USDA Sewer Utility Revenue Bond include:

1. Reserve Account – on a monthly basis, the Municipality shall deposit into a Reserve Account an amount equal to 10% of the maximum debt service due in any future calendar year on the bonds.
2. Surplus Account – any amount of the Surplus Net Revenues to be credited to the Surplus Account to be used to redeem and prepay bonds as they become prepayable according to their terms or to pay for repairs of or for the construction and installation of improvements or additions to the Utility.
3. Billings – the charges for Sewer Utility service will be billed at least monthly and if not paid within sixty days of the date of billing a notice of violation thereof and the service to the premises involved shall be discontinued and shall not be resumed until payment of all past-due bills for Sewer Utility service are made.

The Municipality is in compliance with all covenants for the USDA Sewer Utility Revenue Bond.

7. Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary.

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2018, 2017, and 2016, equal to the required contributions each year, were as follows:

Year	Amount
2018	\$5,030.52
2017	\$5,030.57
2016	\$4,725.50

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

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

Proportionate share of total pension liability	\$ 501,850.24
Less proportionate share of net position restricted for pension benefits	501,945.91
	501,945.91
Proportionate share of net pension liability (asset)	\$ (95.68)

At December 31, 2018, the Municipality reported a liability (asset) of \$(95.68) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the Municipality's proportion was 0.0075937%, which is a decrease of 0.0002762% from its proportion measured as of June 30, 2017.

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 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

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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, projected generationally with Scale MP-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

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
total	100.0%	

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 changes in the discount rate:

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

	1% Decrease	Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	\$ 72,261.55	\$ (95.68)	\$ (58,954.35)

Pension Plan Fiduciary Net Position:

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

8. Significant Contingencies – Litigation:

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

9. Related Party Transactions:

In 2011 the Municipality approved a tax increment financing district; part of the district was used to build a new facility in 2012 for a business owned by one of the council members.

10. Tax Abatements:

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

There were no tax abatements that affected the Municipality of Bryant in the current year.

11. Risk Management

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2018, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,500,000 lifetime maximum payment per person.

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

Liability Insurance:

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a 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 or a combined employer liability of \$2,000,000 per incident.

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

Unemployment Benefits:

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

12. Subsequent Events:

The Municipality has evaluated for subsequent events through January 15, 2020, the date which the financial statements were available to be issued. The Municipality approved an addition to the

MUNICIPALITY OF BRYANT
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

Community Center / Auditorium that will include a new office for the City Hall. They also approved a project to install electric lines underground and authorized up to \$1,800,000 in revenue bonds to be issued for the project. They awarded the 25KV Underground project to Eframson Electric for \$1,078,224.40 to be completed in two phases. Phase 1 of the project will be started in 2019 and Phase 2 will be done in 2020.

MUNICIPALITY OF BRYANT

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF BRYANT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 163,000.00	\$ 163,000.00	\$ 157,551.91	\$ (5,448.09)
General Sales and Use Taxes	140,000.00	140,000.00	185,694.26	45,694.26
Amusement Taxes	-	-	60.00	60.00
Penalties and Interest on Delinquent Taxes	-	-	368.74	368.74
Total Taxes	<u>303,000.00</u>	<u>303,000.00</u>	<u>343,674.91</u>	<u>40,674.91</u>
Licenses and Permits	<u>5.00</u>	<u>5.00</u>	<u>7.00</u>	<u>2.00</u>
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,530.56	330.56
Motor Vehicle Commercial Prorate	-	-	1,599.25	1,599.25
Liquor Tax Reversion	2,400.00	2,400.00	2,868.07	468.07
Local Government Highway and Bridge Fund	5,500.00	5,500.00	9,678.12	4,178.12
Other	50.00	50.00	1,425.00	1,375.00
County Shared Revenue:				
County Road Tax (25%)	895.00	895.00	894.16	(0.84)
County Wheel Tax	1,000.00	1,000.00	163.30	(836.70)
Other	10,000.00	10,000.00	11,675.91	1,675.91
Total Intergovernmental Revenue	<u>21,045.00</u>	<u>21,045.00</u>	<u>29,834.37</u>	<u>8,789.37</u>
Charges for Goods and Services:				
General Government	65.00	65.00	30.00	(35.00)
Sanitation	24,495.00	24,495.00	29,062.65	4,567.65
Culture and Recreation	8,500.00	8,500.00	9,258.19	758.19
Total Charges for Goods and Services	<u>33,060.00</u>	<u>33,060.00</u>	<u>38,350.84</u>	<u>5,290.84</u>
Fines and Forfeits:				
Court Fines and Costs	-	-	32.50	32.50
Total Fines and Forfeits	<u>-</u>	<u>-</u>	<u>32.50</u>	<u>32.50</u>
Miscellaneous Revenue:				
Investment Earnings	900.00	900.00	5,258.59	4,358.59
Rentals	1,500.00	1,500.00	2,932.00	1,432.00
Liquor Operating Agreement Income	3,600.00	3,600.00	2,700.00	(900.00)
Other	1,600.00	1,600.00	6,544.36	4,944.36
Total Miscellaneous Revenue	<u>7,600.00</u>	<u>7,600.00</u>	<u>17,434.95</u>	<u>9,834.95</u>
Total Revenue	<u>364,710.00</u>	<u>364,710.00</u>	<u>429,334.57</u>	<u>64,624.57</u>

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	16,138.00	16,138.00	13,954.09	2,183.91
Contingency	30,000.00	11,300.00	-	11,300.00
Financial Administration	70,806.00	75,806.00	68,652.50	7,153.50
Other	21,932.00	25,632.00	25,801.22	(169.22)
Total General Government	138,876.00	128,876.00	108,407.81	20,468.19
Public Safety:				
Police	15,600.00	15,600.00	15,556.67	43.33
Fire	22,100.00	22,100.00	19,656.00	2,444.00
Total Public Safety	37,700.00	37,700.00	35,212.67	2,487.33
Public Works:				
Highways and Streets	69,195.00	69,195.00	26,637.96	42,557.04
Sanitation	33,030.00	36,030.00	35,739.10	290.90
Total Public Works	102,225.00	105,225.00	62,377.06	42,847.94
Culture and Recreation:				
Recreation	56,950.00	63,950.00	49,577.71	14,372.29
Parks	8,590.00	8,590.00	7,290.09	1,299.91
Total Culture and Recreation	65,540.00	72,540.00	56,867.80	15,672.20
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	20,275.00	20,275.00	20,000.00	275.00
Total Conservation and Development	20,275.00	20,275.00	20,000.00	275.00
Total Expenditures	364,616.00	364,616.00	282,865.34	81,750.66
Excess of Revenue Over (Under) Expenditures	94.00	94.00	146,469.23	146,375.23
Other Financing Sources (Uses):				
Transfers In (Out)	-	-	81,589.73	81,589.73
Total Other Financing Sources (Uses)	-	-	81,589.73	81,589.73
Net Change in Fund Balances	94.00	94.00	228,058.96	227,964.96
Fund Balance - Beginning	341,577.69	341,577.69	341,577.69	-
FUND BALANCE - ENDING	\$ 341,671.69	\$ 341,671.69	\$ 569,636.65	\$ 227,964.96

MUNICIPALITY OF BRYANT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
DEBT SERVICE - TIF #1 PROJECT
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 32,000.00	\$ 32,000.00	\$ 34,971.00	\$ 2,971.00
Total Revenue	<u>32,000.00</u>	<u>32,000.00</u>	<u>34,971.00</u>	<u>2,971.00</u>
Expenditures:				
Debt Service	<u>32,000.00</u>	<u>32,000.00</u>	<u>34,971.00</u>	<u>(2,971.00)</u>
Total Expenditures	<u>32,000.00</u>	<u>32,000.00</u>	<u>34,971.00</u>	<u>(2,971.00)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning	<u>3,642.39</u>	<u>3,642.39</u>	<u>3,642.39</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 3,642.39</u></u>	<u><u>\$ 3,642.39</u></u>	<u><u>\$ 3,642.39</u></u>	<u><u>\$ -</u></u>

**MUNICIPALITY OF BRYANT
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL PROJECT - TIF #1
 For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers In (Out)	-	-	(81,589.73)	(81,589.73)
Total Other Financing Sources (Uses)	-	-	(81,589.73)	(81,589.73)
Fund Balance - Beginning	-	-	81,589.73	81,589.73
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MUNICIPALITY OF BRYANT
NOTES TO SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund, Debt
Service and Capital Projects Funds with a legally required budget

Note 1 Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board/Municipality Commission to any other budget category, except for capital outlay, that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission. The Municipality did not encumber any amounts at December 31, 2018.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
7. Budget for the General Fund is adopted on a basis consistent with a modified cash basis of accounting.

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 SI 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.

MUNICIPALITY OF BRYANT
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2018

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2017</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2017</u>
Governmental Long-Term Debt:				
Other Long-Term Liabilities - TIF #1 Project	\$ 231,423.93	\$ -	\$ 25,104.82	\$ 206,319.11
Enterprise Long-Term Debt:				
Revenue Bonds - Sewer	20,582.42	-	9,432.69	11,149.73
Revenue Bonds - Water	82,343.21	-	4,808.17	77,535.04
Total	<u>\$ 334,349.56</u>	<u>\$ -</u>	<u>\$ 39,345.68</u>	<u>\$ 295,003.88</u>

Schedule of Supplementary Information
MUNICIPALITY OF BRYANT
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last 4 Fiscal Years *

	2018	2017	2016	2015
Municipality's proportion of the net pension liability (asset)	0.0041023%	0.0039120%	0.0042406%	0.0040696%
Municipality's proportionate share of net pension liability (asset)	(95.68)	(355.02)	14,324.33	(17,260.34)
Municipality's covered-employee payroll	85,288	79,009	82,030	74,305
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.11%)	(0.45%)	17.46%	(23.23%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.10%	96.89%	104.10%

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

Schedule of Supplementary Information
MUNICIPALITY OF BRYANT
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS

South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,031	\$ 4,726	\$ 4,808	\$ 4,487
Contributions in relation to the contractually required contribution	<u>\$ 5,031</u>	<u>\$ 4,726</u>	<u>\$ 4,808</u>	<u>\$ 4,487</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 83,843	\$ 78,759	\$ 80,135	\$ 74,786
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

MUNICIPALITY OF BRYANT
Notes to Supplementary Information
For the Year Ended December 31, 2018
Schedule of the Proportionate Share of the Net Pension
Liability (Asset) and Schedule of Pension
Contributions

Change of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.