

***MUNICIPALITY OF KIMBALL
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017***

TABLE OF CONTENTS

	PAGE
<i>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.....</i>	1-2
<i>INDEPENDENT AUDITOR’S REPORT.....</i>	3-4
<i>FINANCIAL STATEMENTS</i>	
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS</i>	
Statement of Net Position – Modified Cash Basis December 31, 2018.....	5
Statement of Activities – Modified Cash Basis:	
For the Year Ended December 31, 2018.....	6
For the Year Ended December 31, 2017.....	7
<i>FUND FINANCIAL STATEMENTS</i>	
<i>GOVERNMENTAL FUNDS</i>	
Balance Sheet - Modified Cash Basis – Governmental Funds December 31, 2018.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds:	
For the Year Ended December 31, 2018.....	9
For the Year Ended December 31, 2017.....	10
<i>PROPRIETARY FUNDS</i>	
Statement of Net Position – Modified Cash Basis – Proprietary Funds December 31, 2018.....	11
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds:	
For the Year Ended December 31, 2018.....	12
For the Year Ended December 31, 2017.....	13
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds:	
For the Year Ended December 31, 2018.....	14
For the Year Ended December 31, 2017.....	15
<i>NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS.....</i>	16-31
<i>SUPPLEMENTARY INFORMATION.....</i>	32
Budgetary Comparison Schedule-Modified Cash Basis:	
General Fund.....	33
Liquor, Lodging, and Dining Gross Receipts Tax Fund.....	34
Notes to Budgetary Comparison Schedules.....	35
Schedule of Changes in Long-Term Debt.....	36
Schedule of the Municipality Contributions.....	37
Notes to Schedule of the Municipality Contributions.....	38



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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 Council Members
Municipality of Kimball, South Dakota**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the Municipality of Kimball, South Dakota, as of December 31, 2018 and for each of the years in the biennial period then ended and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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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 Municipality'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.

A handwritten signature in black ink, appearing to read "CIO of LLC". The signature is written in a cursive, somewhat stylized font.

Mitchell, South Dakota
January 16, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Council Members
Municipality of Kimball, South Dakota

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

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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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 Kimball as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedule, Schedule of Changes in Long-term Debt, and Schedule of the Municipality Contributions 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 basic 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 16, 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 grant agreements, 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.



Mitchell, South Dakota
January 16, 2020

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2018

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
Cash and cash equivalents	\$ 1,389,935	\$ 162,020	\$ 1,551,955
<i>Total Assets</i>	\$ 1,389,935	\$ 162,020	\$ 1,551,955
 NET POSITION			
Restricted for:			
Debt Service Purposes	\$ --	\$ 54,804	\$ 54,804
Capital outlay	82,894	--	82,894
Unrestricted	1,307,041	107,216	1,414,257
<i>Total Net Position</i>	\$ 1,389,935	\$ 162,020	\$ 1,551,955

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>		<i>Total</i>
					<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
General government	\$ 81,834	\$ 67,975	\$ 8,000	\$ 103,922	\$ 98,063	\$ –	\$ 98,063
Public safety	73,050	–	–	–	(73,050)	–	(73,050)
Public works	227,831	47,712	–	–	(180,119)	–	(180,119)
Health and welfare	20,220	–	–	–	(20,220)	–	(20,220)
Culture and recreation	121,245	4,792	–	–	(116,453)	–	(116,453)
Conservation and development	64,014	–	–	–	(64,014)	–	(64,014)
<i>Total Governmental Activities</i>	<u>588,194</u>	<u>120,479</u>	<u>8,000</u>	<u>103,922</u>	<u>(355,793)</u>	<u>–</u>	<u>(355,793)</u>
<i>Business-type Activities:</i>							
Water	103,252	123,980	–	–	–	20,728	20,728
Sewer	86,486	97,047	–	–	–	10,561	10,561
<i>Total Business-Type Activities</i>	<u>189,738</u>	<u>221,027</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>31,289</u>	<u>31,289</u>
<i>Total Primary Government</i>	<u>\$ 777,932</u>	<u>\$ 341,506</u>	<u>\$ 8,000</u>	<u>\$ 103,922</u>	<u>(355,793)</u>	<u>31,289</u>	<u>(324,504)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					198,844	–	198,844
Sales tax					403,383	–	403,383
State shared revenues					9,431	–	9,431
Unrestricted investment earnings					4,827	536	5,363
Contributions and donations from private sources					2,655	–	2,655
Sale of municipal property					8,485	–	8,485
Miscellaneous revenue					8,247	–	8,247
<i>Total General Revenues and Transfers</i>					<u>635,872</u>	<u>536</u>	<u>636,408</u>
<i>Change in Net Position</i>					280,079	31,825	311,904
<i>Net Position-Beginning of Year</i>					<u>1,109,856</u>	<u>130,195</u>	<u>1,240,051</u>
<i>Net Position-End of Year</i>					<u>\$ 1,389,935</u>	<u>\$ 162,020</u>	<u>\$ 1,551,955</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Primary Government</i>		
					<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
General government	\$ 75,535	\$ 69,814	\$ 25,792	\$ --	\$ 20,071	\$ --	\$ 20,071
Public safety	153,947	--	--	--	(153,947)	--	(153,947)
Public works	492,870	51,043	--	59,000	(382,827)	--	(382,827)
Health and welfare	12,409	--	--	--	(12,409)	--	(12,409)
Culture and recreation	129,427	5,274	--	--	(124,153)	--	(124,153)
Conservation and development	60,206	--	--	--	(60,206)	--	(60,206)
Debt service	38,112	--	--	--	(38,112)	--	(38,112)
<i>Total Governmental Activities</i>	<u>962,506</u>	<u>126,131</u>	<u>25,792</u>	<u>59,000</u>	<u>(751,583)</u>	<u>--</u>	<u>(751,583)</u>
<i>Business-Type Activities:</i>							
Water	175,771	127,389	--	--	--	(48,382)	(48,382)
Sewer	223,578	90,318	--	--	--	(133,260)	(133,260)
<i>Total Business-Type Activities</i>	<u>399,349</u>	<u>217,707</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(181,642)</u>	<u>(181,642)</u>
<i>Total Primary Government</i>	<u>\$ 1,361,855</u>	<u>\$ 343,838</u>	<u>\$ 25,792</u>	<u>\$ 59,000</u>	<u>(751,583)</u>	<u>(181,642)</u>	<u>(933,225)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					184,111	--	184,111
Sales tax					339,742	--	339,742
State shared revenues					9,167	--	9,167
Unrestricted investment earnings					4,204	465	4,669
Contributions and donations from private sources					15,700	--	15,700
Miscellaneous revenue					11,311	--	11,311
<i>Total general Revenues and Transfers</i>					<u>564,235</u>	<u>465</u>	<u>564,700</u>
<i>Change in Net Position</i>					(187,348)	(181,177)	(368,525)
<i>Net Position-Beginning of Year</i>					<u>1,297,204</u>	<u>311,372</u>	<u>1,608,576</u>
<i>Net Position-End of Year</i>					<u>\$ 1,109,856</u>	<u>\$ 130,195</u>	<u>\$ 1,240,051</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MUNICIPALITY OF KIMBALL, SD
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Liquor, Lodging, and Dining Gross Receipts Tax Fund</u>	<u>Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,307,041	\$ 18,791	\$ 64,103	\$ 1,389,935
<i>Total Assets</i>	<u>\$ 1,307,041</u>	<u>\$ 18,791</u>	<u>\$ 64,103</u>	<u>\$ 1,389,935</u>
 FUND BALANCES				
Restricted for:				
Capital outlay	\$ –	\$ 18,791	\$ 64,103	\$ 82,894
Unassigned	1,307,041	–	–	1,307,041
<i>Total Fund Balances</i>	<u>\$ 1,307,041</u>	<u>\$ 18,791</u>	<u>\$ 64,103</u>	<u>\$ 1,389,935</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>General</i> <i>Fund</i>	<i>Liquor, Lodging, and Dining Gross Receipts Tax</i> <i>Fund</i>	<i>Sales Tax</i> <i>Fund</i>	<i>Total Governmental Funds</i>
Revenues:				
Taxes:				
General property taxes	\$ 198,844	\$ –	\$ –	\$ 198,844
General sales and use taxes	378,866	24,421	–	403,287
Amusement taxes	96	–	–	96
Licenses and permits	9,658	–	–	9,658
Intergovernmental:				
State Grants	103,922	8,000	–	111,922
Bank franchise tax	2,034	–	–	2,034
Motor vehicle commercial prorated	2,975	–	–	2,975
Liquor tax reversion	4,422	–	–	4,422
Motor vehicle licenses	10,337	–	–	10,337
Local government highway and bridge fund	34,465	–	–	34,465
County road tax (25%)	1,451	–	–	1,451
County wheel tax	1,459	–	–	1,459
Charges for goods and services	4,792	–	–	4,792
Miscellaneous revenue:				
Investment earnings	4,553	62	212	4,827
Rentals	58,317	–	–	58,317
Contributions from private sources	2,655	–	–	2,655
Other	8,247	–	–	8,247
Total Revenue	827,093	32,483	212	859,788
Expenditures:				
Current:				
General government:				
Legislative	32,052	–	–	32,052
Financial administration	49,782	–	–	49,782
Public safety:				
Police	58,123	–	–	58,123
Fire	14,927	–	–	14,927
Public works:				
Highways and streets	218,046	–	–	218,046
Sanitation	8,534	–	–	8,534
Airport	1,251	–	–	1,251
Health and welfare:				
Health	11,408	–	–	11,408
Ambulance	2,130	–	–	2,130
Other	6,682	–	–	6,682
Culture and recreation				
Recreation	93,574	–	–	93,574
Libraries	27,671	–	–	27,671
Conservation and development:				
Economic development and assistance (industrial development)	19,870	44,144	–	64,014
Total Expenditures	544,050	44,144	–	588,194
Excess of Revenues Over Expenditures	283,043	(11,661)	212	271,594
Other Financing Sources (Uses):				
Transfers in	–	10,000	–	10,000
Transfers out	(10,000)	–	–	(10,000)
Sale of Municipal Property	8,485	–	–	8,485
Total Other Financing Sources (Uses)	(1,515)	10,000	–	8,485
Net Change in Fund Balance	281,528	(1,661)	212	280,079
Fund Balance - Beginning of Year	1,025,513	20,452	63,891	1,109,856
Fund Balance - End of Year	\$ 1,307,041	\$ 18,791	\$ 64,103	\$ 1,389,935

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Liquor, Lodging, and Dining Gross Receipts Tax Fund	Sales Tax Fund	Total Governmental Funds
<i>Revenues:</i>				
<i>Taxes:</i>				
General property taxes	\$ 184,111	\$ --	\$ --	\$ 184,111
General sales and use taxes	319,696	19,974	--	339,670
Amusement taxes	72	--	--	72
Licenses and permits	7,845	--	--	7,845
<i>Intergovernmental:</i>				
State Grants	25,792	--	--	25,792
Bank franchise tax	1,109	--	--	1,109
Motor vehicle commercial prorated	3,694	--	--	3,694
Liquor tax reversion	4,364	--	--	4,364
Motor vehicle licenses	14,687	--	--	14,687
Local government highway and bridge fund	32,803	--	--	32,803
County road tax (25%)	1,451	--	--	1,451
County wheel tax	2,102	--	--	2,102
Other intergovernmental revenues	59,000	--	--	59,000
Charges for goods and services	5,274	--	--	5,274
<i>Miscellaneous revenue:</i>				
Investment earnings	3,906	70	228	4,204
Rentals	61,969	--	--	61,969
Contributions from private sources	15,500	200	--	15,700
Other	11,311	--	--	11,311
Total Revenue	754,686	20,244	228	775,158
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government:</i>				
Legislative	18,562	--	--	18,562
Financial administration	56,973	--	--	56,973
<i>Public safety:</i>				
Police	79,323	--	--	79,323
Fire	74,624	--	--	74,624
<i>Public works:</i>				
Highways and streets	487,881	--	--	487,881
Sanitation	3,621	--	--	3,621
Airport	1,368	--	--	1,368
<i>Health and welfare:</i>				
Health	3,209	--	--	3,209
Ambulance	2,380	--	--	2,380
Other	6,820	--	--	6,820
<i>Culture and recreation</i>				
Recreation	103,390	--	--	103,390
Libraries	26,037	--	--	26,037
<i>Conservation and development:</i>				
Economic development and assistance (industrial development)	--	60,206	--	60,206
Debt service	38,112	--	--	38,112
Total Expenditures	902,300	60,206	--	962,506
Excess of Revenues Over Expenditures	(147,614)	(39,962)	228	(187,348)
Net Change in Fund Balance	(147,614)	(39,962)	228	(187,348)
Fund Balance - Beginning of Year	1,173,127	60,414	63,663	1,297,204
Fund Balance - End of Year	\$ 1,025,513	\$ 20,452	\$ 63,891	\$ 1,109,856

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 48,555	\$ 113,465	\$ 162,020
<i>Total Assets</i>	<u>\$ 48,555</u>	<u>\$ 113,465</u>	<u>\$ 162,020</u>
<i>NET POSITION</i>			
Restricted	\$ 28,340	\$ 26,464	\$ 54,804
Unrestricted	20,215	87,001	107,216
<i>Total Net Position</i>	<u>\$ 48,555</u>	<u>\$ 113,465</u>	<u>\$ 162,020</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for goods and services	\$ 123,980	\$ 92,047	\$ 216,027
Other	—	5,000	5,000
Total Operating Revenues	<u>123,980</u>	<u>97,047</u>	<u>221,027</u>
Operating Expenses:			
Personal services	753	21,136	21,889
Other current expense	20,839	35,596	56,435
Supplies & materials	53,318	3,293	56,611
Total Operating Expenses	<u>74,910</u>	<u>60,025</u>	<u>134,935</u>
Operating Income	<u>49,070</u>	<u>37,022</u>	<u>86,092</u>
Nonoperating Revenues (Expenses):			
Investment income	161	375	536
Debt service	(9,438)	(12,638)	(22,076)
Interest expense	(18,904)	(13,823)	(32,727)
Total Nonoperating Revenue (Expense)	<u>(28,181)</u>	<u>(26,086)</u>	<u>(54,267)</u>
Change in Net Position	<u>20,889</u>	<u>10,936</u>	<u>31,825</u>
Net Position - Beginning of Year	<u>27,666</u>	<u>102,529</u>	<u>130,195</u>
Net Position - End of Year	<u>\$ 48,555</u>	<u>\$ 113,465</u>	<u>\$ 162,020</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for goods and services	\$ 127,389	\$ 90,318	\$ 217,707
Total Operating Revenues	<u>127,389</u>	<u>90,318</u>	<u>217,707</u>
Operating Expenses:			
Personal services	20,046	20,046	40,092
Other current expense	51,650	10,402	62,052
Supplies & materials	54,519	–	54,519
Capital Assets	21,217	16,556	37,773
Total Operating Expenses	<u>147,432</u>	<u>47,004</u>	<u>194,436</u>
Operating Income (Loss)	<u>(20,043)</u>	<u>43,314</u>	<u>23,271</u>
Nonoperating Revenues (Expenses):			
Investment income	99	366	465
Debt service	(9,106)	(161,846)	(170,952)
Interest expense	(19,233)	(14,728)	(33,961)
Total Nonoperating Revenue (Expense)	<u>(28,240)</u>	<u>(176,208)</u>	<u>(204,448)</u>
Net (Loss) Before Transfers	<u>(48,283)</u>	<u>(132,894)</u>	<u>(181,177)</u>
Transfers in	–	50,000	50,000
Transfers out	(50,000)	–	(50,000)
Change in Net Position	<u>(98,283)</u>	<u>(82,894)</u>	<u>(181,177)</u>
Net Position - Beginning of Year	<u>125,949</u>	<u>185,423</u>	<u>311,372</u>
Net Position - End of Year	<u>\$ 27,666</u>	<u>\$ 102,529</u>	<u>\$ 130,195</u>

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Totals</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>			
Receipt from customers	\$ 123,980	\$ 97,047	\$ 221,027
Payments to suppliers	(74,157)	(38,889)	(113,046)
Payments to employees	(753)	(21,136)	(21,889)
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>	49,070	37,022	86,092
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>			
Principal Paid on Capital Debt	(9,438)	(12,638)	(22,076)
Interest Paid on Capital Debt	(18,904)	(13,823)	(32,727)
<i>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</i>	(28,342)	(26,461)	(54,803)
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>			
Interest earnings	161	375	536
<i>NET CASH PROVIDED BY INVESTING ACTIVITIES</i>	161	375	536
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	20,889	10,936	31,825
<i>CASH AND CASH EQUIVALENTS - Beginning of Year</i>	27,666	102,529	130,195
<i>CASH AND CASH EQUIVALENTS - End of Year</i>	\$ 48,555	\$ 113,465	\$ 162,020
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
<i>Operating Income</i>	\$ 49,070	\$ 37,022	\$ 86,092
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	\$ 49,070	\$ 37,022	\$ 86,092

*The accompanying Notes to Financial Statements are
an integral part of this statement.*

MUNICIPALITY OF KIMBALL, SD
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipt from customers	\$ 127,389	\$ 90,318	\$ 217,707
Payments to suppliers	(106,169)	(10,402)	(116,571)
Payments to employees	(20,046)	(20,046)	(40,092)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>1,174</u>	<u>59,870</u>	<u>61,044</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers In	–	50,000	50,000
Transfers Out	(50,000)	–	(50,000)
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES:	<u>(50,000)</u>	<u>50,000</u>	<u>–</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(21,217)	(16,556)	(37,773)
Principal Paid on Capital Debt	(9,106)	(161,846)	(170,952)
Interest Paid on Capital Debt	(19,233)	(14,728)	(33,961)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(49,556)</u>	<u>(193,130)</u>	<u>(242,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	99	366	465
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>99</u>	<u>366</u>	<u>465</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(98,283)</u>	<u>(82,894)</u>	<u>(181,177)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>125,949</u>	<u>185,423</u>	<u>311,372</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 27,666</u>	<u>\$ 102,529</u>	<u>\$ 130,195</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (20,043)	\$ 43,314	\$ 23,271
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Purchase of Capital Assets	21,217	16,556	37,773
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,174</u>	<u>\$ 59,870</u>	<u>\$ 61,044</u>

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

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

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 Municipality:

The reporting Municipality of the Municipality of Kimball, (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal Municipality, 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 Municipality); 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 Municipality's financial statements to be misleading or incomplete.

The Municipality participates in a cooperative unit with Tri County Landfill Association, Inc. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting Municipality as a component unit but are discussed in these notes because of the nature of their relationship with the Municipality.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statements of Net Position and Statements of Activities display information about the reporting Municipality as a whole. They include all funds of the reporting Municipality. 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 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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

b. **Basis of Presentation:** *(continued)*

Fund Financial Statements:

Fund financial statements of the reporting Municipality are organized into funds, each of which is considered to be a separate accounting Municipality. 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:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality's financial reporting Municipality 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.

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

Liquor, Lodging, and Dining Gross Receipts Tax Fund – to account for collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the municipality (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

Sales Tax Fund – to account for expenditures of capital improvements. This is a major fund.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: *(continued)*

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

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

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

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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

c. **Measurement Focus and Basis of Accounting:** *(continued)*

Government-wide Financial Statements:

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.

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 Statements of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

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

1. Recording long-term investments (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.

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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

e. **Capital Assets:**

Government-wide Financial Statements:

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statements 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.

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

f. **Long-Term Liabilities:**

Long-term liabilities include, but are not limited, to revenue bonds and notes payable.

As discussed in Note 1.c. above the government-wide Statement of Net Position and Statements 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 Statements 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 Supplemental 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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

g. ***Program Revenues: (continued)***

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 particular program.

h. ***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.

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 Statements of Cash Flows.

j. ***Equity Classifications:***

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

1. **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:

- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the governing body or Finance Officer.
- **Unassigned** – included positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

*MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018*

2. 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.

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.

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.

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

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

Interest Rate Risk – The Municipality does not have a formal investment policy that limits investment securities 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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

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 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.

4. LONG-TERM DEBT:

A summary of changes in long-term debt can be found on page 35.

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

Notes Payable or Other Long-Term Debt	2018
Rural Development Debt:	
Sewer and Water Utility Revenue Bond, Series 2007	\$ 203,874
Use of proceeds: water and sewer systems improvements project	
Interest rate: 4.125% fixed	
Maturity date: 2047 (anticipated)	
Fund servicing debt: water and sewer	
Sewer Revenue Bond, Series 2009	64,812
Use of proceeds: sewer system improvements project	
Interest rate: 3.75% fixed	
Maturity date: 2049 (anticipated)	
Fund servicing debt: sewer	
Sewer and Water Utility Revenue Bond, Series 2015	612,665
Use of proceeds: sewer/water improvements project	
Interest rate: 3.5% fixed	
Maturity date: 2049 (anticipated)	
Fund servicing debt: sewer and water	
	\$ 881,351

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

4. LONG-TERM DEBT: (continued)

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

Annual Requirements to Amortize Long-Term Debt

<i>Years Ending Dec. 31,</i>	<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>
2019	\$ 22,957	\$ 31,846
2020	23,734	31,070
2021	24,625	30,179
2022	25,551	29,253
2023	26,510	28,294
2024-2028	122,635	126,894
2029-2033	118,739	105,840
2034-2038	142,637	81,943
2039-2043	171,376	53,204
2044-2048	180,258	19,577
Thereafter	22,329	303
TOTAL	\$ 881,351	\$ 538,403

5. PENSION PLAN:

Plan Information:

All employees, working more than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit pension plan administered by SDRS established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://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 Class C Cement Plan 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 requirement benefit after age 55 with three years of contributory service.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

5. PENSION PLAN: (continued)

Benefits Provided: (continued)

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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 Members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2018, 2017, and 2016 were \$9,868, \$9,884, and \$8,366, respectively, equal to the required contributions each year.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

5. *PENSION PLAN: (continued)*

Pension (Asset):

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

	<u>2018</u>
Proportionate share of pension liability	\$ 4,556,986
Less proportionate share of net pension restricted for pension benefits	<u>(4,557,854)</u>
Proportionate share of net pension liability (asset)	<u>\$ (868)</u>

The net pension (asset) was measured as of June 30, 2018 and the total pension (asset) used to calculate the net pension (asset) was based upon 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 .03725040%, which is an increase from its proportion of .0007892% 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 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense

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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

5. **PENSION PLAN: (continued)**

Actuarial Assumptions: (continued)

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 percentages of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the investment 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	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 6.5%. 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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

5. **PENSION PLAN: (continued)**

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

The following presents the Municipality’s proportionate share of net pension (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	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	\$ 656,162	\$ (868)	\$ (535,327)

Pension Plan Fiduciary Net Position:

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

6. **JOINT VENTURES:**

The Municipality is served by a regional landfill operated as a separate legal Municipality. There are eight counties and 20 towns that have a joint powers agreement for the joint operation of the landfill. Although the Municipality has a joint powers agreement with Tri County Landfill Association, Inc. The Municipality provides no funding and receives no revenues from the landfill. The agreement states that the obligations of the landfill shall never constitute an indebtedness of the members within the meaning of any state constitutional provision or statutory limitation and shall never give rise to a pecuniary liability of the members or a charge against their respective general credit or taxing power and the taxing powers of the members may not be used to pay any loan, and no funds or property of the members, other than those described herein, may be used to pay loan payments. The agreement also states that any assets remaining upon dissolution of the landfill shall be distributed to each member based upon the proportion of assets put into the joint operation at its creation by each Municipality. Separate financial statements for this joint venture are available from Tri County Landfill Association, Inc., 24978 349th Avenue, Pukwana, SD 57370.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

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

Liability Insurance:

The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials, with the exception of the Fire Department which is insured in a separate policy as a separate named Municipality, from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

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

The 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 during 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.

MUNICIPALITY OF KIMBALL, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS – MODIFIED CASH BASIS
DECEMBER 31, 2018

8. INTERFUND TRANSFERS:

For the year ended December 31, 2018:

From the General Fund to the Liquor, Lodging, and Dining Gross Receipts to fund housing study	\$ 10,000
Total transfers	<u>\$ 10,000</u>

For the year ended December 31, 2017:

From the Sewer Fund to the Water Fund for water system improvement project	\$ 50,000
Total transfers	<u>\$ 50,000</u>

SUPPLEMENTAL INFORMATION

MUNICIPALITY OF KIMBALL, SD
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual Amounts</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<i>Resources (Inflows):</i>				
<i>Taxes:</i>				
General property tax	\$ 188,859	\$ 188,859	\$ 198,844	\$ 9,985
General sales and use tax	320,000	320,000	378,962	58,962
<i>Total Taxes</i>	<u>508,859</u>	<u>508,859</u>	<u>577,806</u>	<u>68,947</u>
Licenses and permits	8,000	8,000	9,658	1,658
Intergovernmental	70,000	70,000	161,065	91,065
Charges for goods and services	4,926	4,926	4,792	(134)
Investment income	4,000	4,000	4,553	553
Miscellaneous revenues	66,000	66,000	69,219	3,219
<i>Amounts Available for Appropriation</i>	<u>661,785</u>	<u>661,785</u>	<u>827,093</u>	<u>165,308</u>
<i>Charges to Appropriations (Outflows):</i>				
General Government	137,405	136,985	81,834	55,151
<i>Public Safety:</i>				
Police	65,055	65,610	58,123	7,487
Fire	16,200	16,200	14,927	1,273
<i>Total Public Safety</i>	<u>81,255</u>	<u>81,810</u>	<u>73,050</u>	<u>8,760</u>
<i>Public Works:</i>				
Street Department	251,465	251,465	218,046	33,419
Sanitation	15,760	15,760	8,534	7,226
Airport	2,400	2,400	1,251	1,149
<i>Total Public Works</i>	<u>269,625</u>	<u>269,625</u>	<u>227,831</u>	<u>41,794</u>
Health and Welfare	31,830	31,830	20,220	11,610
Culture and Recreation	141,670	143,770	121,245	22,525
Conservation and Development	--	37,570	19,870	17,700
<i>Total Expenditures</i>	<u>661,785</u>	<u>701,590</u>	<u>544,050</u>	<u>157,540</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>--</u>	<u>(39,805)</u>	<u>283,043</u>	<u>322,848</u>
<i>Other Financing Sources (Uses)</i>				
Transfers in	--	37,570	--	(37,570)
Transfers out	--	--	(10,000)	(10,000)
Sale of municipal property	--	--	8,485	8,485
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>(2,235)</u>	<u>281,528</u>	<u>283,763</u>
<i>Beginning Budgetary Fund Balance</i>	<u>1,025,513</u>	<u>1,025,513</u>	<u>1,025,513</u>	<u>--</u>
<i>Ending Budgetary Fund Balance</i>	<u>\$ 1,025,513</u>	<u>\$ 1,023,278</u>	<u>\$ 1,307,041</u>	<u>\$ 283,763</u>

See accompanying Note to Budgetary Comparison Schedules.

MUNICIPALITY OF KIMBALL, SD
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
LIQUOR, LODGING, AND DINING GROSS RECEIPTS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<i>Resources (Inflows):</i>				
Taxes	\$ --	\$ --	\$ 24,421	\$ 24,421
Intergovernmental	--	--	8,000	8,000
Investment income	--	--	62	62
<i>Amounts Available for Appropriations</i>	<u>--</u>	<u>--</u>	<u>32,483</u>	<u>32,483</u>
<i>Charges to Appropriations (Outflows):</i>				
<i>Conservation and Development:</i>				
Economic development and assistance (industrial development)	<u>64,650</u>	<u>64,650</u>	<u>44,144</u>	<u>20,506</u>
<i>Total Expenditures</i>	<u>64,650</u>	<u>64,650</u>	<u>44,144</u>	<u>20,506</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(64,650)	(64,650)	(11,661)	52,989
<i>Other Financing Sources</i>				
Transfers In	<u>--</u>	<u>--</u>	<u>10,000</u>	<u>10,000</u>
<i>Beginning Budgetary Fund Balance</i>	<u>40,541</u>	<u>40,541</u>	<u>20,452</u>	<u>(20,089)</u>
<i>Ending Budgetary Fund Balance</i>	<u>\$ (24,109)</u>	<u>\$ (24,109)</u>	<u>\$ 18,791</u>	<u>\$ 42,900</u>

MUNICIPALITY OF KIMBALL, SD
NOTES TO BUDGETARY COMPARISON SCHEDULES
SCHEDULE OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
DECEMBER 31, 2018

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 introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

MUNICIPALITY OF KIMBALL, SD
SCHEDULE OF CHANGES IN LONG-TERM DEBT

DECEMBER 31, 2018

<i>Indebtedness</i>	<i>Long-Term Debt 1/1/18</i>	<i>Add New Debt</i>	<i>Less Debt Retired</i>	<i>Long-Term Debt 12/31/18</i>
Revenue bonds	\$ 903,429	\$ --	\$ 22,078	\$ 881,351
Total Long-Term Debt:	\$ 903,429	\$ --	\$ 22,078	\$ 881,351

DECEMBER 31, 2017

<i>Indebtedness</i>	<i>Long-Term Debt 01/01/17</i>	<i>Add New Debt</i>	<i>Less Debt Retired</i>	<i>Long-Term Debt 12/31/17</i>
Governmental Long-Term Debt:				
Other long-term debt	\$ 38,112	\$ --	\$ 38,112	\$ --
Enterprise Long-Term Debt:				
Revenue bonds	1,074,381	--	170,952	903,429
Total Long-Term Debt:	\$ 1,112,493	\$ --	\$ 209,064	\$ 903,429

MUNICIPALITY OF KIMBALL, SD
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 9,868	\$ 9,884	\$ 8,366	\$ 8,172
Contributions in relation to the contractually required contribution	<u>9,868</u>	<u>9,884</u>	<u>8,366</u>	<u>8,172</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's/Municipality's covered payroll	\$ 157,003	\$ 154,413	\$ 133,743	\$ 124,904
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%

*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 Municipality will present information for those years for which information is available.

See accompanying Note to Municipality Contribution Schedules.

MUNICIPALITY OF KIMBALL, SD
NOTES TO SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2018

CHANGES OF BENEFIT TERMS:

No significant changes.

CHANGES OF ASSUMPTIONS:

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

The changes in actuarial assumption 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%.