

CITY OF PIEDMONT, SOUTH DAKOTA

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

CASEY  **PETERSON**
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

City of Piedmont, South Dakota
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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

Board of Trustees
City of Piedmont, South Dakota

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, and each major fund of the City of Piedmont, South Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Piedmont, South Dakota's basic financial statements and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Piedmont, South Dakota'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 City of Piedmont, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Piedmont, South Dakota's internal control.

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and management's responses as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Piedmont, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and management's responses as item 2018-003.

City of Piedmont, South Dakota's Response to Findings

The City of Piedmont, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. The City of Piedmont, South Dakota'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota codified law 4-11-11, this report is a matter of public record and its distribution is not limited.



Casey Peterson, Ltd.

Rapid City, South Dakota

November 5, 2019

City of Piedmont, South Dakota
Schedule of Findings and Management's Response
December 31, 2018

Material Weakness

Internal Controls Related to Adequate Segregation of Duties

2018-001 *Condition:* Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. The City of Piedmont, South Dakota has a concentration of incompatible duties.

- The City did not maintain documentation to support review and approval of general journal entries.
- There was no documentation of review of water meter readings and manual entry of invoices.
- There is no documentation of review of water billing collections deposited in the bank and posted to customer accounts by someone other than the preparer. There is no documentation of review of general receipts deposited in the bank and posting to the City's accounts other than the preparer.
- Detailed review of bank reconciliations was not performed by someone other than the preparer.
- There was no support for review and approval of utility adjustments performed by the Board. Additionally, SDCL 9-22-4 requires that uncollectible amounts, write-offs, adjustments be approved by the governing Board.

Criteria: Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. The City has a general lack of segregation of duties, which is a fundamental concept in a good system of internal controls.

Cause: There are a limited number of office personnel, preventing proper segregation of duties.

Effect: There is the potential that intentional or unintentional errors could be made and not be detected.

Auditor's Recommendation: We recommend the following procedures be considered:

- General journal entries should be reviewed and approved by someone, other than the preparer, with accounting knowledge of the general journal entry. Additionally, the general journal entries should be compared to the approvals at the end of each month by the individual that regularly approves journal entries as well as the Board of Trustees to ensure all journal entries have been approved and are proper. Documentation should be filed in the finance office that supports the propriety and approval of all journal entries.
- Water meter readings are performed by the Finance Officer. The Deputy Finance Officer creates customer invoices based on the meter readings. The customer bills should be reviewed for reasonableness as they are prepared. Once prepared, the Finance Officer can review a list of current customer billings to ensure all customer bills appear accurate. Documentation of this review should be maintained, such as initials or signature and date of the Finance Officer's review. At least monthly, the water usage by customers should be compared to water pumped and purchased. The monthly customer receivable aging should be reviewed by the Finance Officer and the Board and unpaid accounts should be handled in accordance with City shut off policies.

City of Piedmont, South Dakota
Schedule of Findings and Management's Response
December 31, 2018

- Bank reconciliations should be reviewed by someone other than the preparer. The reviewer should ensure that there are no unusual reconciling items and that the bank and book balances agree with bank statements and the general ledger, respectively.
- The Finance Officer opens the mail, receives, and records payments in a receipt book. The Deputy Finance Officer prepares the deposit, posts the receipts, reconciles the bank statements, and prints out a deposit summary report. The Finance Officer should review the deposit summary report and compare it to what was receipted in the receipt book. Documentation of this review should be maintained, such as initials or signature and date of the Finance Officer's review.

View of Management: Management agrees with the finding and has developed a response in the Corrective Action Plan.

Material Weakness

Lack of Supporting Documentation for Water Receipts

2018-002 *Condition:* The City lacks appropriate supporting documentation to substantiate water receipt collections for current and prior years.

Criteria: The City should maintain supporting documentation of water billings and collections. The ability to provide current and historic water billing and receipt data for analysis is imperative for the audit of water receipt activity. Further, the City should maintain a rate schedule that provides adequate income to meet the requirements for operation and maintenance of the water system. Performing an analysis of water collections is important for the City's budgetary process and comparison of the water fees charged, the sufficiency of approved rates to cover the fund's disbursements, and the fund's ability to be self-sustaining.

Cause: Turnover in staff in the current year and software issues limited the City's ability to provide adequate records for audit. The City has not evaluated water rates to ensure they are sufficient to meet the requirements for operation and maintenance of the water system.

Effect: The City did not maintain adequate documentation for water receipts.

Auditor's Recommendation: It is the responsibility of the City to maintain adequate supporting documentation of water billing and receipt collection data. We recommend the City generate monthly reports of water billings. We also recommend the City perform an analysis of water collections and usage to gallons pumped and purchased. The City should evaluate the current fee structure for sufficiency of the fund's operations.

View of Management: Management agrees with the finding and has developed a response in the Corrective Action Plan.

Material Weakness

Noncompliance with State Statute Regarding Interfund Transfers

2018-003 *Condition:* The City did not approve transfers of one fund to another by two-thirds vote of the governing body.

Criteria: SDCL 9-21-26.1 states that the governing body may, by a two-thirds vote, transfer the surplus money in any of the several funds to any other fund or funds or may appropriate such surplus money to the payment of any outstanding indebtedness of the municipality.

Cause: This noncompliance occurred due to a lack of monitoring compliance with state statutes.

Effect: The City did not comply with state statutes.

City of Piedmont, South Dakota
Schedule of Findings and Management's Response
December 31, 2018

Auditor's Recommendation: We recommend the City evaluate compliance with state statutes regarding interfund transfers to ensure transfers are properly approved by the governing board.

View of Management: Management agrees with the finding and has developed a response in the Corrective Action Plan.

City of Piedmont, South Dakota Corrective Action Plan (Unaudited) December 31, 2018

City of Piedmont, South Dakota respectfully submits the following Corrective Action Plan for the year ended December 31, 2018.

Material Weakness

Internal Controls Related to Adequate Segregation of Duties

2018-001 *Condition:* Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. The City of Piedmont, South Dakota has a concentration of incompatible duties.

- The City did not maintain documentation to support review and approval of general journal entries.
- There was no documentation of review of water meter readings and manual entry of invoices.
- There is no documentation of review of water billing collections deposited in the bank and posted to customer accounts by someone other than the preparer. There is no documentation of review of general receipts deposited in the bank and posting to the City's accounts other than the preparer.
- Detailed review of bank reconciliations was not performed by someone other than the preparer.
- There was no support for review and approval of utility adjustments performed by the Board. Additionally, SDCL 9-22-4 requires that uncollectible amounts, write-offs, adjustments be approved by the governing Board.

Management's Response: The City of Piedmont is a fairly small city with only two part-time employees who handle the accounting, reporting, billing, and all other administrative functions needed by the City. The Board of Trustees remains involved in many of the day-to-day affairs of the organization. Though the City has adopted the Department of Legislative Audit's suggested procedures, the City has not tailored them to the needs of the City or created any specific procedures for each of their accounting cycles.

A significant problem plaguing the City during this time period was a computer crash that resulted in some reports not being available. The City does have a backup system, but not all information could be recovered. The deputy finance officer lost her email history which had many of the reports she had generated for different individuals throughout the year. This was the only location they were filed, and many could not be recreated. The utility billing program they employ cannot generate reports after a period is closed.

Over the past three or four years, the City has had a series of individuals in the Deputy Finance Officer's position. With no written procedures, each one accomplished their work as they saw fit, and there was no conformity as to process or record retention.

The City is proposing to work with their fee accountants to create written policies for each cycle of their accounting system. These policies will document each step of the process with approval and review documented by signatures, or at least initials, by the responsible parties. Several new forms will be instituted, such as a formal journal entry form requiring documentation of review and approval. Procurement and purchasing will also be addressed in the policies which will be in conformity with the Uniform Guidance requirements in order to be consistent for all federal and nonfederal funded procurement. Record retention will also be addressed for each cycle to ensure it will remain consistent, even if there are new personnel or a change on the Board.

City of Piedmont, South Dakota
Corrective Action Plan (Unaudited)
December 31, 2018

Below we have described the policies we are proposing in our new policies for each specific situation cited by the auditors.

1. Journal Entry Review and Approval: The City will be instituting a system of review and approval of all journal entries. A new form will be developed and implemented to adequately document the processes of preparation, review and approval. All supporting documentation to justify the journal entry will be attached to the journal entry. A permanent record of this documentation will be filed in the Finance Office.

Responsible Party: Finance Officer and Deputy Finance Officer

Time Frame: Ongoing

2. Documentation of Review of Water Meter Readings and Entry of Invoices: The City is currently working with the utility billing software company to understand the array of reports and uses for those reports from that software. When the City does their policy write-up, it will identify the specific reports that will be created and maintained each month for the billing system. The policies will also address the need for review of the information each month, review of all utilities information imported into the accounting system, and retention of all related information for their records.

Responsible Party: Finance Office

Time Frame: Ongoing

3. Review of Water Billing Collections and Deposit Postings: Currently, the Deputy Finance Officer posts all revenue to the City's accounts. The Finance Officer picks up and opens all mail. The Finance Officer runs a tape on checks received and passes it to the Deputy Finance Officer to post into the accounting software. The Finance Officer then receives the prepared deposit and delivers to the bank. She checks totals at that time, though it is not documented. There is no other review of this information to assure amounts posted to the accounting software is correct. The Finance Officer is the individual assigned to take customer questions and complaints if there are issues on their bills. No documentation of this process is kept. The policies being developed will address the need for documentation of independent reviews and segregation of duties as is possible within the organization. Segregation regarding follow-up on delinquent and uncollectible accounts, obtaining Board approval of all write-offs, and an analysis of revenue to costs in the Water Fund will also be addressed.

Responsible Parties: Finance Office and Board President

Time Frame: Ongoing

4. Bank Reconciliation Review: The Board President will perform the reviews of bank reconciliations. Currently, the Deputy Finance Office prepares the reconciliations. The Deputy Finance officer will provide the Board President with a copy of the reconciliations and bank statements each month. The Board President is a check signer and will review the reconciliations and statements in detail and document the reviews. This process will be defined in the accounting policies being developed.

Responsible Parties: Board Chairman and Deputy Finance Officer

Time Frame: Ongoing

City of Piedmont, South Dakota
Corrective Action Plan (Unaudited)
December 31, 2018

5. Undocumented Review and Approval of Utility Billing Write-offs and Adjustments as Required by SDCL 9-22-44: Currently the process for write-offs is very informal. The policies being developed will formalize the process for the review and approval of all write-offs and adjustments for uncollectible and distressed accounts. The Finance Officer will prepare a formal listing of all accounts deemed distressed or uncollectible and will provide it to the Board monthly. The Board will document actions taken in the minutes. The Board will also be adding a provision in the policies to give the Finance Officer the ability to write-off small fee amounts without approval.

Responsible Parties: Finance Officer and the Board of Trustees

Time Frame: Ongoing

Material Weakness

Lack of Supporting Documentation for Water Receipts

- 2018-002 *Condition:* The City lacks appropriate supporting documentation to substantiate water receipt collections for current and prior years.

Management's Response: Currently, the Deputy Finance Officer posts all revenue to the City's accounts. The Finance Officer picks up and opens all mail. The Finance Officer runs a tape on checks received and passes it to the Deputy Finance Officer to post into the accounting software. The Finance Officer then receives the prepared deposit and delivers to the bank. She checks totals at that time, though it is not documented. There is no other review of this information to assure amounts posted to the accounting software is correct. The Finance Officer is the individual assigned to take customer questions and complaints if there are issues on their bills. No documentation of this process is kept. The policies being developed will address the need for documentation of independent reviews and segregation of duties as is possible within the organization. Segregation regarding follow-up on delinquent and uncollectible accounts, obtaining Council approval of all write-offs, and an analysis of revenue to costs in the Water Fund will also be addressed.

Responsible Parties: Finance Office and Board President

Time Frame: Ongoing

Material Weakness

Noncompliance with State Statute Regarding Interfund Transfers

- 2018-003 *Condition:* The City did not approve transfers of one fund to another by two-thirds vote of the governing body.

Management's Response: The City only makes one transfer per year, which is to cover the shortfall in the Water Fund. The Finance Officer was not aware that a two-thirds approval of the exact amount needed to be made by the Board each year. Several years ago, a blanket approval was made, and the Finance Officer had assumed that was sufficient. For 2019, the exact amount of the transfer needed for the Water Fund will be taken to Board to obtain the two-thirds approval required by SDCL 9-21-26.1.

Responsible Party: Finance Officer

Time Frame: Immediate implementation with ongoing monitoring.

Independent Auditor's Report

Board of Trustees
City of Piedmont, South Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Piedmont, South Dakota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Piedmont, South Dakota, as of December 31, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



Basis of Accounting

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Piedmont, South Dakota's basic financial statements. The Corrective Action Plan on pages 6 - 8, the budgetary comparison information on pages 30 - 31, and list of City Officials on page 32, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of the City of Piedmont, South Dakota's internal control over financial reporting and on 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Piedmont, South Dakota's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota
November 5, 2019

BASIC FINANCIAL STATEMENTS

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CITY OF PIEDMONT, SOUTH DAKOTA

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

	Governmental Activities	Business-type Activities	Total Primary Government
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 594,585	\$ 27,154	\$ 621,739
Investments	-	20,348	20,348
TOTAL ASSETS	\$ 594,585	\$ 47,502	\$ 642,087
<u>NET POSITION</u>			
Restricted for:			
Amounts Owed to Others	\$ -	\$ 4,103	\$ 4,103
Reserved for Debt Service	-	31,736	31,736
Unrestricted	594,585	11,663	606,248
TOTAL NET POSITION	\$ 594,585	\$ 47,502	\$ 642,087

The accompanying notes are an integral part of this statement.

CITY OF PIEDMONT, SOUTH DAKOTA

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Disbursements
Governmental Activities:	
General Government	\$ 121,727
Public Safety	628
Public Works	39,543
Culture and Recreation	80,468
Total Governmental Activities	242,366
Business-type Activities	
Water	129,543
Total Business-type Activities	129,543
Total Primary Government	\$ 371,909

The accompanying notes are an integral part of this statement.

		Net (Disbursements) Receipts and Changes in Net Position			
Charges for Services	Operating Grants, Loans and Contributions	Governmental Activities	Business-type Activities	Total	
\$ 16,774	\$ 2,494	\$ (102,459)	\$ -	\$ (102,459)	
-	-	(628)	-	(628)	
-	-	(39,543)	-	(39,543)	
714	-	(79,754)	-	(79,754)	
17,488	2,494	(222,384)	-	(222,384)	
<hr/>					
121,120	-	-	(8,423)	(8,423)	
121,120	-	-	(8,423)	(8,423)	
<hr/>					
\$ 138,608	\$ 2,494	(222,384)	(8,423)	(230,807)	
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General Receipts					
Taxes:					
Property Taxes		141,509	-	141,509	
Sales Taxes		265,276	-	265,276	
State Shared Receipts		27,057	-	27,057	
County Shared Receipts		15,955	-	15,955	
Interest on Certificates of Deposit		-	271	271	
Miscellaneous Receipts		663	-	663	
Transfers		(8,423)	8,423	-	
Total General Revenues		442,037	8,694	450,731	
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Change in Net Position		219,653	271	219,924	
Net Position -- Beginning		374,932	47,231	422,163	
Net Position -- Ending		\$ 594,585	\$ 47,502	\$ 642,087	

CITY OF PIEDMONT, SOUTH DAKOTA

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUND
DECEMBER 31, 2018**

<u>ASSETS</u>	<u>General Fund</u>
Cash and Cash Equivalents	\$ 594,585
TOTAL ASSETS	\$ 594,585
Fund Balances	
Unassigned	\$ 594,585
TOTAL FUND BALANCES	\$ 594,585

The accompanying notes are an integral part of this statement.

CITY OF PIEDMONT, SOUTH DAKOTA

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - MODIFIED
BASIS - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund
Receipts	
Taxes:	
Sales and Use Taxes	\$ 265,276
Property Taxes	141,509
Penalties and Interest on Delinquent Taxes	581
Amusement Taxes	204
Intergovernmental Receipts:	
State Shared Revenue	26,853
County Road Tax	15,955
State Grants	2,494
Licenses and Permits	13,849
Charges for Goods and Services	3,721
Total Receipts	470,442
Disbursements	
General Government	
Financial Administration	95,775
Legislative	17,326
Executive	5,405
Other	3,221
Public Works	39,543
Public Safety	628
Culture and Recreation	
Library	42,133
Parks	14,357
<i>Capital Outlay</i>	23,978
Total Disbursements	242,366
Other Financing Sources (Uses)	
Transfers Out	(8,423)
Total Other Financial Sources (Uses)	(8,423)
Change in Fund Balance	219,653
Fund Balance, Beginning of Year	374,932
Fund Balance, End of Year	\$ 594,585

The accompanying notes are an integral part of this statement.

CITY OF PIEDMONT, SOUTH DAKOTA

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND
DECEMBER 31, 2018**

<u>ASSETS</u>	<u>Water Fund</u>
Cash and Cash Equivalents	\$ 27,154
Investments	20,348
TOTAL ASSETS	\$ 47,502
Net Position	
Restricted:	
Amounts Owed to Others	\$ 4,103
Reserved for Debt Service	31,736
Unassigned	11,663
Total Net Position	\$ 47,502

The accompanying notes are an integral part of this statement.

CITY OF PIEDMONT, SOUTH DAKOTA

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION -
BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Water Fund
Operating Receipts	
Revenues Dedicated for Debt Service	\$ 121,120
Total Operating Receipts	121,120
Operating Disbursements	
Personal Services	6,867
Other Current Disbursements	53,789
Total Operating Disbursements	60,656
Operating Income	60,464
Nonoperating Receipts (Disbursements)	
Principal Payments	(42,204)
Interest Payments	(26,683)
Interest on Certificates of Deposit	271
Net Nonoperating Receipts (Disbursements)	(68,616)
Net Income Before Transfers	(8,152)
Transfers in	8,423
Change in Net Position	271
Net Position, Beginning	47,231
Net Position, Ending	\$ 47,502

The accompanying notes are an integral part of this statement.

CITY OF PIEDMONT, SOUTH DAKOTA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies

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

a. Reporting Entity

The reporting entity of the City of Piedmont, South Dakota (the City) consists of the primary government which includes all funds, organizations, institutions, agencies, departments and offices that make up the legal 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 – modified cash basis and statement of activities – modified cash basis display information about the City. These statements include the financial activities of the overall government, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental 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 City has no fiduciary funds.

The statement of activities – modified cash basis presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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 City or it meets the following criteria:

1. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts, or disbursements of the individual governmental or enterprise fund are at least five 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.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(1) Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation (Continued)

Fund Financial Statements (Continued):

The funds of the financial reporting entity are described below:

Governmental Funds:

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

Proprietary Funds:

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

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

Water Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) 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” receipts and disbursements are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City’s basis of accounting is the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-Wide Financial Statements:

In the statement of net position – modified cash basis and statement of activities – modified cash basis, both the governmental and business-type activities are presented using the economic resources measurement focus applied on the modified cash basis of accounting as defined in the “Basis of Accounting” section.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(1) Summary of Significant Accounting Policies (Continued)

c. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus: (Continued)

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 statement of net position – modified cash basis, the statement of activities – modified cash basis, and the fund financial statements, the governmental and business-type activities are presented using the 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 balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days 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 modified cash basis of accounting implemented by the City in these financial statements include the recording of investments (certificates of deposits with terms to maturity more than 90 days from the date of acquisition) arising from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue billed or provide services not yet collected) and certain liabilities and their related disbursements (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 City applied accounting principles generally accepted in the United States of America, 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

The City pools its cash resources for deposit purposes. The proprietary fund has access to its cash resources on demand.

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

The City maintains restricted cash deposits for the debt reserves required by the USDA debt agreement.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(1) Summary of Significant Accounting Policies (Continued)

e. Capital Assets

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash, in the government-wide financial statements, the fund financial statements and the proprietary financial statements.

f. Long-Term Liabilities

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

Long-term debt arising from cash transactions of all funds are not reported as liabilities in the modified cash basis financial statements.

g. Program Receipts

Program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry as a whole. Program receipts 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, organization 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, organization or individuals that are restricted for acquisition of capital assets for use in a particular program. The City had no program specific capital grants and contributions in the current year.

h. Proprietary Funds Receipts and Disbursement Classification

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

i. Equity Classifications

Government-Wide Statements:

Equity is classified as net position and is displayed in two of the following two components under the modified cash basis:

1. Restricted Net Position – Consists of net position with constraints placed on the use either by external groups or law.
2. Unrestricted Net Position – Includes all other net position that do not meet the definition of "Restricted Net Position".

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(1) Summary of Significant Accounting Policies (Continued)

i. Equity Classifications (continued)

Fund Financial Statements:

The City classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form, such as inventories or prepaids, or because of legal or contractual constraints. The City has no nonspendable fund balances.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors or contributors or amounts constrained due to constitutional provision 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 City Commissioners by resolution and does not lapse at year-end. No commitments have been made by the City.
- 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 City Commissioners. The City has no assigned fund balances.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted 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 City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when disbursements are made.

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

Proprietary fund equity is classified the same as the government-wide financial statements.

j. Application of Net Position

It is the City'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 positions are available.

k. Revenues Received in Advance

Under the modified cash basis of accounting, cash may have been received in advance of the City's providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

l. Proprietary Funds Receipts and Disbursements Classification

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing and investing activities.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(1) Summary of Significant Accounting Policies (Concluded)

m. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report which is the date the financial statements were available to be issued.

(2) Deposits and Investments

The City 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 as follows:

Deposits – The City'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 City 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. Investments classified in the financial statements consists entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized the South Dakota Codified Law (SDCL) 4-5-6.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2018, the City's bank balances above FDIC limits are insured and collateralized in compliance with the South Dakota Public Deposit Protection Collateral Program.

Interest Rate Risk: The City 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.

Credit Risk: State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. The City has all of its deposits in demand deposits and certificates of deposits with maturities of no more than one year.

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

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(4) Commitments

The following is a summary of the long-term commitments for the year ended December 31, 2018:

	Balance 12/31/2017	Repayments	Balance 12/31/2018	Due Within One Year
Business-type Activities:				
General Obligation Bond	\$ 356,195	\$ (17,126)	\$ 339,069	\$ 17,713
Revolving Revenue Bond	506,856	(25,078)	481,778	25,839
Total Business-type Activities	\$ 863,051	\$ (42,204)	\$ 820,847	\$ 43,552

Long-term debt at December 31, 2018, is comprised of the following:

The General Obligation Bond, Series 2011, was issued to finance Phase I of a two-phase project for improvements to the City's water supply system and distribution system. The bond bears interest at 3.375% , due in monthly installments of \$2,407 and was originally due through April 1, 2051. The bond is financed by the water fund. The City has prepaid \$198,958 in debt principal resulting in a revised maturity schedule as the outstanding principal will be paid off prior to 2051. The prepaid principal has been applied to the ending years of the maturity schedule as the financing institution has not revised the payment schedule including principal and interest on the maturity schedule. Interest paid for the year ended December 31, 2018 was \$11,758. \$ 339,069

The 2010 State Revolving Fund Revenue Bond was issued to finance Phase II of the two-phase project for improvements to the City's water supply and distribution system. The bond bears interest at 3% and is due in quarterly installments of \$10,001 through April, 2033 and is financed through the Water Fund. Interest paid for the year ended December 31, 2018 was \$14,925. 481,778

Total Long-Term Debt **\$ 820,847**

The annual requirements to amortize the long-term liability outstanding as of December 31, 2018, (using the revised repayment schedule for the General Obligation Bond), including interest are as follows:

Year Ending:	Principal	Interest	Total
2019	\$ 43,552	\$ 25,336	\$ 68,888
2020	44,943	23,945	68,888
2021	46,379	22,509	68,888
2022	47,860	21,028	68,888
2023	49,390	19,498	68,888
2024-2028	271,659	72,781	344,440
2029-2033	317,064	26,474	343,538
Total	\$ 820,847	\$ 211,571	\$ 1,032,418

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018**

(5) Interfund Transfers

Transfers were made for the year ended December 31, 2018, as follows:

Transfer from General Fund	<u>Transfer to Water Fund</u> \$8,423
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The City transferred funds from the General Fund to the Water Fund to provide essential services.

(6) Risk Management

The City 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 City managed its risks as follows.

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

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

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

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

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

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

As of December 31, 2018, the City's balance available to be refunded per the SDPAA was \$4,447, which was an increase of \$537 from the previous year.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
DECEMBER 31, 2018**

(6) Risk Management (Continued)

The City has no deductible for general liability coverage, a \$5,000 deductible for errors and omissions of public officials, and a \$500 deductible for all other claims.

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

Workmen’s Compensation:

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

The City 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.

(7) Restricted Net Position

The amount classified as restricted net position at December 31, 2018 are classified as follows:

Purpose	Restricted by	Amount
Amounts Owed to Sanitary District	Contractual Agreement	\$ 4,103
Debt Service	Debt Covenants	31,736
Total Restrictions		\$ 35,839

(8) Violations of Finance-Related Legal and Contractual Provisions

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

General Fund:	Year Ended December 31, 2018
General Government – Executive	\$5,405
General Government – Legislative	1,326

(9) Subsequent Events

In 2019 the City settled a dispute with Meade County related to a joint powers road maintenance agreement. The total settlement paid by the City was \$125,000.

SUPPLEMENTARY INFORMATION

CITY OF PIEDMONT, SOUTH DAKOTA

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Receipts				
Taxes:				
Sales and Use Taxes	\$ 200,000	\$ 200,000	\$ 265,276	\$ 65,276
Property Taxes	137,861	137,861	141,509	3,648
Penalties and Interest on Delinquent Taxes	-	-	581	581
Amusement Taxes	-	-	204	204
Intergovernmental Receipts:				
State Shared Revenue	20,000	20,000	26,853	6,853
County Road Tax	16,000	16,000	15,955	(45)
State Grants	-	-	2,494	2,494
Licenses and Permits	3,000	3,000	13,849	10,849
Charges for Goods and Services	500	500	3,639	3,139
Proceeds from Disposal of Assets	-	-	82	82
Total Receipts	377,361	377,361	470,442	93,081
Disbursements				
General Government				
Financial Administration	117,000	117,000	95,775	21,225
Legislative	26,000	16,000	17,326	(1,326)
Executive	-	-	5,405	(5,405)
Other	75,000	75,000	27,199	47,801
Total General Government	218,000	208,000	145,705	62,295
Public Works	219,861	219,861	39,543	180,318
Public Safety	5,000	5,000	628	4,372
Culture and Recreation				
Library	38,000	48,000	42,133	5,867
Parks	16,500	16,500	14,357	2,143
Total Disbursements	497,361	497,361	242,366	254,995
Other Financing Sources (Uses)				
Transfers Out	-	-	(8,423)	(8,423)
Total Other Financial Sources (Uses)	-	-	(8,423)	(8,423)
Net Change in Fund Balance	(120,000)	(120,000)	219,653	339,653
Fund Balance, Beginning of Year	374,932	374,932	374,932	-
Fund Balance, End of Year	\$ 254,932	\$ 254,932	\$ 594,585	\$ 339,653

See independent auditor's report and notes to the supplementary information.

CITY OF PIEDMONT, SOUTH DAKOTA

**NOTES TO SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

(1) Basis of Presentation

The budgetary comparison schedule has been prepared on the modified cash basis of accounting and presents capital outlay and debt service disbursements within each function similar to the statement of activities – modified cash basis.

(2) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. At the regular meeting in June each year, the governing board introduced the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual disbursements 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 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. The City did not encumber any amounts at December 31, 2018.
6. The budget for the general fund is adopted on a basis consistent with that which is presented in the financial statements.

**CITY OF PIEDMONT, SOUTH DAKOTA
CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**President
Steve Heilman**

**Vice President
Amy Bannister**

**Trustees
Phil Anderson
Jack Parks
Scott Toothman**

**Finance Officer
Diana L Evans**

**Deputy Finance Officer
Mary Jean Voigt**

**Water
Jeff Kottwitz**