

# CITY OF PIERRE, SOUTH DAKOTA

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Financial Statements

December 31, 2022

**City of Pierre, South Dakota**  
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**December 31, 2022**

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## Independent Auditor's Report

City Commission  
City of Pierre, South Dakota

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Pierre, South Dakota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit, which represents less than 1% of the assets and net position and 2.6% of revenues of the governmental activities as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof and for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Commission of the City of Pierre, South Dakota is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contribution, and notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Passenger Facility Charges are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Passenger Facility Charges, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Passenger Facility Charges, and the Schedule of Expenditures of Federal Awards are 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 September 26, 2023 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City's internal control over financial reporting and compliance.

*Casey Peterson, LTD*

Casey Peterson, LTD

Rapid City, South Dakota

September 26, 2023

## BASIC FINANCIAL STATEMENTS



**City of Pierre, South Dakota**  
**Statement of Net Position**  
**December 31, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 16,063,125	\$ 18,002,511	\$ 34,065,636	\$ 677,773
Certificates of Deposit	1,668,489	-	1,668,489	-
Receivables	2,605,568	12,145,770	14,751,338	85,891
Internal Balances	(797,673)	797,673	-	-
Inventories	379,693	2,765,729	3,145,422	-
Prepaid Expenses	20,918	24,638	45,556	28,008
Restricted Assets:				
Cash and Cash Equivalents	54,464	9,014,337	9,068,801	-
Net Pension Asset	27,173	10,772	37,945	46,562
Capital Assets				
Land and Construction in Progress	24,691,600	54,951,448	79,643,048	213,243
Other Capital Assets, Net of Depreciation	61,034,425	88,525,994	149,560,419	274,409
<b>TOTAL ASSETS</b>	<b>105,747,782</b>	<b>186,238,872</b>	<b>291,986,654</b>	<b>1,325,886</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension-related Deferred Outflows	2,488,569	986,710	3,475,279	63,825
OPEB-related Deferred Outflows	101,706	44,574	146,280	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,590,275</b>	<b>1,031,284</b>	<b>3,621,559</b>	<b>63,825</b>
<b>LIABILITIES</b>				
Accounts Payable	1,366,093	5,747,526	7,113,619	18,001
Other Current Liabilities	103,542	764,893	868,435	49,523
Unearned Revenue	137,433	289,724	427,157	32,347
Noncurrent Liabilities:				
Landfill Closure and Post-closure Costs	-	752,481	752,481	-
Due Within One Year	1,472,794	1,968,838	3,441,632	3,746
Due in More than One Year	16,391,076	64,381,662	80,772,738	2,077
<b>TOTAL LIABILITIES</b>	<b>19,470,938</b>	<b>73,905,124</b>	<b>93,376,062</b>	<b>105,694</b>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Net Position (Continued)**  
**December 31, 2022**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension-related Deferred Inflows	1,574,888	624,438	2,199,326	89,955
Lease-related Deferred Inflows	307,560	636,719	944,279	-
OPEB-related Deferred Inflows	332,609	137,767	470,376	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,215,057</u>	<u>1,398,924</u>	<u>3,613,981</u>	<u>89,955</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	69,813,718	75,294,952	145,108,670	487,652
Restricted for:				
SDRS Pension Purposes	940,854	373,044	1,313,898	20,432
Cemetery	54,464	-	54,464	-
Other Purposes:				
Surface Transportation Program	4,171,709	-	4,171,709	-
Pool Construction	3,051,027	-	3,051,027	-
Special Sales Tax	1,522,980	-	1,522,980	-
Storm Drainage	998,963	-	998,963	-
911 Purposes	702,896	-	702,896	-
Pickleball Court Construction	167,983	-	167,983	-
Library	61,339	-	61,339	-
Other Donor Restricted Purposes	19,503	-	19,503	-
Unrestricted	<u>5,146,626</u>	<u>36,298,112</u>	<u>41,444,738</u>	<u>685,978</u>
<b>TOTAL NET POSITION</b>	<u>\$ 86,652,062</u>	<u>\$ 111,966,108</u>	<u>\$ 198,618,170</u>	<u>\$ 1,194,062</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

					Net (Expense) Revenue and Changes in Net Position			Component Unit
Functions/Programs	Expenses	Charges for Services	Capital Grants, Loans, and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
<b>PRIMARY GOVERNMENT</b>								
Governmental Activities:								
General Government	\$ 4,955,036	\$ 2,575,852	\$ -	\$ 8,919	\$ (2,370,265)	\$ -	\$ (2,370,265)	\$ -
Public Safety	4,380,669	400,513	108,389	471,770	(3,399,997)	-	(3,399,997)	-
Public Works	4,449,455	1,354,675	561,346	-	(2,533,434)	-	(2,533,434)	-
Health and Welfare	115,702	7,180	14,000	18,244	(76,278)	-	(76,278)	-
Culture and Recreation	4,103,882	762,533	595,043	147,843	(2,598,463)	-	(2,598,463)	-
Conservation and Development	1,268,142	-	-	-	(1,268,142)	-	(1,268,142)	-
Interest on Long-term Debt*	382,066	-	-	-	(382,066)	-	(382,066)	-
Total Governmental Activities	19,654,952	5,100,753	1,278,778	646,776	(12,628,645)	-	(12,628,645)	-
Business-type Activities:								
Water	3,137,160	4,849,677	51,485	-	-	1,764,002	1,764,002	-
Electric	12,702,150	16,256,972	-	-	-	3,554,822	3,554,822	-
Waste Water	2,680,189	3,679,340	-	58,511	-	1,057,662	1,057,662	-
Airport	2,345,976	214,469	1,469,084	-	-	(662,423)	(662,423)	-
Garbage	151,985	76,194	-	-	-	(75,791)	(75,791)	-
Landfill	1,878,481	1,651,251	172,000	-	-	(55,230)	(55,230)	-
Total Business-type Activities	22,895,941	26,727,903	1,692,569	58,511	-	5,583,042	5,583,042	-
Total Primary Government	\$ 42,550,893	\$ 31,828,656	\$ 2,971,347	\$ 705,287	(12,628,645)	5,583,042	(7,045,603)	-
<b>COMPONENT UNIT</b>								
Housing and Redevelopment Commission	\$ 1,231,588	\$ 226,994	\$ 67,021	\$ 1,115,132				177,559

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Activities (Continued)**  
**For the Year Ended December 31, 2022**

		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
<b>GENERAL REVENUES</b>					
Taxes:					
*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes	3,690,675	-	3,690,675	-
	Sales Taxes	10,714,722	-	10,714,722	-
	State Shared Revenues	939,245	-	939,245	-
	County Shared Revenue	14,212	-	14,212	-
	Unrestricted Investment Earnings	106,210	150,443	256,653	2,879
	Other General Revenues	955,624	377,172	1,332,796	4,834
Transfers		1,109,882	(1,109,882)	-	-
Gain (Loss) on Disposal of Fixed Assets		60,261	19,590	79,851	-
Total General Revenues		17,590,831	(562,677)	17,028,154	7,713
<b>CHANGE IN NET POSITION</b>		4,962,186	5,020,365	9,982,551	185,272
<b>NET POSITION - BEGINNING, AS RESTATED</b>		81,689,876	106,945,743	188,635,619	1,008,790
<b>NET POSITION - ENDING</b>		<u>\$ 86,652,062</u>	<u>\$ 111,966,108</u>	<u>\$ 198,618,170</u>	<u>\$ 1,194,062</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Balance Sheet - Governmental Funds**  
**December 31, 2022**

	General Fund	Capital Improvement Fund	Special Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8,870,360	\$ 817,529	\$ 1,426,293	\$ 2,266,291	\$ 13,380,473
Certificate of Deposits	1,668,489	-	-	-	1,668,489
Tax Receivable, Delinquent	74,616	22,261	-	-	96,877
Accounts Receivable, Net	79,903	5,271	-	41,147	126,321
Unbilled Accounts Receivable	-	-	-	56,410	56,410
Due From Other Funds	-	-	-	-	-
Due From Other Governments	948,114	852,403	96,687	102,859	2,000,063
Leases Receivable	304,946	-	-	-	304,946
Inventory of Supplies	272,387	-	-	107,306	379,693
Prepaid Expenses	-	20,918	-	-	20,918
Restricted Cash and Cash Equivalents	-	-	-	54,464	54,464
<b>TOTAL ASSETS</b>	<b>\$ 12,218,815</b>	<b>\$ 1,718,382</b>	<b>\$ 1,522,980</b>	<b>\$ 2,628,477</b>	<b>\$ 18,088,654</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 988,516	\$ 257,979	\$ -	\$ 40,400	\$ 1,286,895
Payroll Liabilities	24,225	-	-	3,538	27,763
Due to Other Funds	-	-	-	6,428	6,428
Revenue Collected in Advance	131,837	-	-	5,596	137,433
Total Liabilities	1,144,578	257,979	-	55,962	1,458,519
Deferred Inflows of Resources:					
Lease Related Deferred Inflows	307,560	-	-	-	307,560
Unavailable Revenues	498,622	457,481	53,862	110,178	1,120,143
Total Deferred Inflows of Resources	806,182	457,481	53,862	110,178	1,427,703
Fund Balances:					
Nonspendable	272,387	-	-	157,306	429,693
Restricted	7,409,531	-	1,469,118	1,571,252	10,449,901
Committed	19,650	1,002,922	-	733,779	1,756,351
Assigned	2,567,637	-	-	-	2,567,637
Unassigned	(1,150)	-	-	-	(1,150)
Total Fund Balances	10,268,055	1,002,922	1,469,118	2,462,337	15,202,432
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,218,815</b>	<b>\$ 1,718,382</b>	<b>\$ 1,522,980</b>	<b>\$ 2,628,477</b>	<b>\$ 18,088,654</b>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2022**

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Total Fund Balances - Governmental Funds	\$ 15,202,432
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds.	27,173
Pension and OPEB-related deferred outflows are not available financial resources and, therefore, are not reported in the funds.	2,590,275
Pension and OPEB-related deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	(1,907,497)
Capital and assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,684,868
Long-term liabilities, including bonds payable, capital leases payable, lease obligations, accrued leave payable, and accrued other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(17,863,870)
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,157
Receipts collected after year-end but not available soon enough to pay for current period expenditures are deferred in the funds.	1,120,143
Payables for interest are recognized as liabilities in the government-wide financial statements, but are recognized when paid in the governmental funds.	(23,129)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	1,780,510
Net Position - Governmental Activities	<u>\$ 86,652,062</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
General Property Taxes	\$ 3,429,589	\$ -	\$ -	\$ 249,712	\$ 3,679,301
General Sales and Use Taxes	4,836,101	4,836,101	616,849	214,767	10,503,818
Penalties and Interest on Delinquent Taxes	9,574	-	-	-	9,574
Licenses and Permits	397,609	-	-	-	397,609
Intergovernmental Revenue:					
Federal Grants	1,376,682	-	-	-	1,376,682
State Grants	585,346	-	-	500,904	1,086,250
State Shared Revenues:					
Bank Franchise	157,127	-	-	-	157,127
Liquor Tax Reversion	97,940	-	-	-	97,940
Motor Vehicle Licenses (5%)	112,925	-	-	-	112,925
Local Government Highway and Bridge Fund	344,153	-	-	-	344,153
911 Telephone Surcharge	-	-	-	227,100	227,100
County Shared Revenues:					
County Road Tax (25%)	6,004	-	-	-	6,004
Other	8,208	-	-	-	8,208
Charges for Goods and Services:					
General Government	2,298,396	-	-	159,640	2,458,036
Public Safety	60,251	-	-	242,550	302,801
Highways and Streets	-	461,024	-	479,644	940,668
Health	7,180	-	-	-	7,180
Culture and Recreation	717,501	-	-	2,129	719,630
Cemetery	42,285	-	-	-	42,285
Fines and Forfeits:					
Court Fines and Costs	1,573	-	-	-	1,573
Library	-	-	-	618	618
Parking Meter Fines	6,240	-	-	-	6,240
Miscellaneous Revenues:					
Investment Earnings	82,273	6,271	7,045	10,621	106,210
Rentals	98,744	-	-	-	98,744
Special Assessments	4,968	3,357	-	-	8,325
Contributions from Private Sources	425,833	230,000	-	9,509	665,342
Other	203,272	8,030	-	4,443	215,745
<b>TOTAL REVENUES</b>	<u>15,309,774</u>	<u>5,544,783</u>	<u>623,894</u>	<u>2,101,637</u>	<u>23,580,088</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds (Continued)**  
**For the Year Ended December 31, 2022**

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>					
General Government:					
Legislative	\$ 137,505	\$ -	\$ -	\$ -	\$ 137,505
Elections	2,333	-	-	-	2,333
Financial Administration	2,630,650	-	-	-	2,630,650
Other	1,934,564	-	-	132,936	2,067,500
Public Safety:					
Police	2,742,305	-	-	1,112,510	3,854,815
Fire	414,117	-	-	-	414,117
Public Works:					
Highways and Streets	1,835,598	488,782	-	40,074	2,364,454
Cemeteries	165,743	-	-	-	165,743
Transit	125,000	-	-	-	125,000
Health and Welfare:					
Health	27,753	-	-	-	27,753
Ambulance	-	66,000	-	-	66,000
Other	69,878	-	-	-	69,878
Culture and Recreation:					
Recreation	411,041	-	-	-	411,041
Parks	1,812,928	-	-	-	1,812,928
Libraries	745,419	-	-	6,745	752,164
Museum	20,073	-	-	-	20,073
Conservation and Development:					
Economic Development	985,775	-	176,025	106,341	1,268,141
Debt Service	-	1,197,662	380,993	165,860	1,744,515
Capital Outlay	9,104,992	3,570,302	-	271,722	12,947,016
<b>TOTAL EXPENDITURES</b>	<b>23,165,674</b>	<b>5,322,746</b>	<b>557,018</b>	<b>1,836,188</b>	<b>30,881,626</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,855,900)</b>	<b>222,037</b>	<b>66,876</b>	<b>265,449</b>	<b>(7,301,538)</b>
<b>OTHER FINANCING SOURCES</b>					
Transfers In (Out)	1,897,227	(461,270)	(220,084)	26,012	1,241,885
Insurance Proceeds	-	-	-	36,870	36,870
Sale of Municipal Property	193,112	-	820,000	-	1,013,112
Total Other Financing Sources	2,090,339	(461,270)	599,916	62,882	2,291,867
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,765,561)</b>	<b>(239,233)</b>	<b>666,792</b>	<b>328,331</b>	<b>(5,009,671)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>16,033,616</b>	<b>1,242,155</b>	<b>802,326</b>	<b>2,134,006</b>	<b>20,212,103</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 10,268,055</b>	<b>\$ 1,002,922</b>	<b>\$ 1,469,118</b>	<b>\$ 2,462,337</b>	<b>\$ 15,202,432</b>

The accompanying notes are an integral part of this statement.



**City of Pierre, South Dakota**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-wide Statement of Activities**  
**For the Year Ended December 31, 2022**

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Net Change in Fund Balances - Total Governmental Funds	\$ (5,009,671)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which capital outlays exceeded depreciation in the current period.	9,341,327
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,363,381
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas in the fund financial statements, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(170,040)
Changes in pension-related deferred outflows/inflows are direct components of the pension asset and are not reflected in the governmental funds.	157,791
Changes in OPEB-related deferred outflows/inflows are direct components of the OPEB liability and are not reflected in the governmental funds.	60,823
Lease payments are reported in the governmental funds as they are paid while lease payments are reported as reductions in liabilities in the Statement of Activities. Right to Use Leased assets are also amortized in the Statement of Activities. This is the net impact to the Statement of Activities for reductions in liabilities and amortization of assets.	4,654
Sales tax revenues, special assessments, grants, and other revenue are reported in the period to be financed by the property tax levy, special assessments, and grants for both the governmental funds and the governmental activities, but in the fund statement, any amounts that are not "available" are offset with deferred inflows.	(1,061,600)
Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in this liability through expenditures.	55,109
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds is reported with governmental activities.	220,412
Change in Net Position of Governmental Activities	<u>\$ 4,962,186</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>ASSETS</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 5,014,630	\$ 3,951,998	\$ 7,770,301	\$ 1,454,627	\$ -	\$ 18,191,556	\$ 2,677,374
Accounts Receivable, Net	6,129,735	230,823	1,290,833	88,358	98,377	7,838,126	20,951
Unbilled Accounts Receivable	394,695	1,800,973	403,681	-	18,988	2,618,337	-
Due from Other Funds	-	-	6,428	-	-	6,428	-
Due from Other Governments	-	-	-	1,096,230	-	1,096,230	-
Prepaid Expenses	-	-	-	24,638	-	24,638	-
Inventory of Supplies	536,325	2,049,611	47,933	29,578	102,282	2,765,729	-
Total Current Assets	12,075,385	8,033,405	9,519,176	2,693,431	219,647	32,541,044	2,698,325
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	7,740,193	-	-	1,274,144	9,014,337	-
Net Pension Asset	2,039	3,365	1,483	1,468	2,417	10,772	-
Lease Receivables	-	-	-	593,077	-	593,077	-
Capital Assets:							
Land	399,662	31,675	49,434	235,889	4,041,171	4,757,831	-
Buildings and Infrastructure	15,681,854	1,605,064	29,509,459	46,707,885	3,612,328	97,116,590	-
Improvements	-	40,062,247	-	-	-	40,062,247	-
Machinery and Equipment	2,750,541	2,668,751	5,514,638	3,789,716	4,421,262	19,144,908	-
Right to Use Leased Assets	-	-	-	6,930	-	6,930	-
Construction in Progress	35,980,613	66,413	13,230,441	916,150	-	50,193,617	-
Less: Accumulated Depreciation and Amortization	(8,442,751)	(11,341,075)	(21,023,739)	(23,195,187)	(3,801,929)	(67,804,681)	-
Total Noncurrent Assets	46,371,958	40,836,633	27,281,716	29,055,928	9,549,393	153,095,628	-
<b>TOTAL ASSETS</b>	<b>58,447,343</b>	<b>48,870,038</b>	<b>36,800,892</b>	<b>31,749,359</b>	<b>9,769,040</b>	<b>185,636,672</b>	<b>2,698,325</b>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Net Position - Proprietary Funds (Continued)**  
**December 31, 2022**

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension-related Deferred Outflows	186,736	308,221	135,859	134,469	221,425	986,710	-
OPEB-related Deferred Outflows	9,307	14,731	6,677	5,063	8,796	44,574	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>196,043</u>	<u>322,952</u>	<u>142,536</u>	<u>139,532</u>	<u>230,221</u>	<u>1,031,284</u>	<u>-</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable	\$ 1,951,352	\$ 909,485	\$ 2,298,603	\$ 550,174	\$ 37,912	\$ 5,747,526	\$ 79,198
Incurred But Not Reported Claims	-	-	-	-	-	-	40,944
Accrued Interest Payable	44,463	28,024	10,062	-	-	82,549	-
Accrued Wages Payable	2,314	3,592	1,279	1,825	2,497	11,507	-
Customer Deposits	-	670,837	-	-	-	670,837	-
Revenue Collected in Advance	54,852	196,438	35,160	-	3,274	289,724	-
Due to Other Funds	-	-	-	-	195,473	195,473	-
Revenue Bond Payable - Current	846,698	933,202	155,804	-	-	1,935,704	-
Lease Liability - Current	-	-	-	1,475	-	1,475	-
Accrued Leave Payable - Current	4,734	10,754	3,066	2,684	10,421	31,659	-
Total Current Liabilities	<u>2,904,413</u>	<u>2,752,332</u>	<u>2,503,974</u>	<u>556,158</u>	<u>249,577</u>	<u>8,966,454</u>	<u>120,142</u>
Noncurrent Liabilities:							
Revenue Bonds Payable	33,671,558	14,825,318	15,065,306	-	-	63,562,182	-
Accrued Leave Payable	57,839	132,635	37,814	31,072	128,520	387,880	-
Accrued Landfill Closure and Post-closure Costs	-	-	-	-	752,481	752,481	-
Lease Liability	-	-	-	5,464	-	5,464	-
Net OPEB Obligation	87,492	130,730	55,655	60,852	91,407	426,136	-
Total Noncurrent Liabilities	<u>33,816,889</u>	<u>15,088,683</u>	<u>15,158,775</u>	<u>97,388</u>	<u>972,408</u>	<u>65,134,143</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>36,721,302</u>	<u>17,841,015</u>	<u>17,662,749</u>	<u>653,546</u>	<u>1,221,985</u>	<u>74,100,597</u>	<u>120,142</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Net Position - Proprietary Funds (Continued)**  
**December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension-related Deferred Inflows	118,176	195,057	85,978	85,098	140,129	624,438	-
Lease-related Deferred Inflows	-	-	-	636,719	-	636,719	-
OPEB-related Deferred Inflows	28,130	44,257	18,127	16,181	31,072	137,767	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>146,306</u>	<u>239,314</u>	<u>104,105</u>	<u>737,998</u>	<u>171,201</u>	<u>1,398,924</u>	<u>-</u>
<b>NET POSITION</b>							
Net Investment in Capital Assets	10,241,024	17,334,555	11,042,193	28,405,825	8,272,832	75,296,429	-
Restricted for:							
SDRS Pension Purposes	70,599	116,529	51,364	50,839	83,713	373,044	-
Unrestricted	<u>11,464,155</u>	<u>13,661,577</u>	<u>8,083,017</u>	<u>2,040,683</u>	<u>249,530</u>	<u>35,498,962</u>	<u>2,578,183</u>
<b>TOTAL NET POSITION</b>	<u>\$ 21,775,778</u>	<u>\$ 31,112,661</u>	<u>\$ 19,176,574</u>	<u>\$ 30,497,347</u>	<u>\$ 8,606,075</u>	<u>\$ 111,168,435</u>	<u>\$ 2,578,183</u>

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Net Position are different because of the Enterprise Funds' participation in the activities conducted in the internal service fund.

Net Position of Business-type Activities

797,673  
\$ 111,966,108

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds**  
**For the Year Ended December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>OPERATING REVENUE</b>							
Charges for Goods and Services	\$ 2,887,471	\$ 15,138,493	\$ 2,346,325	\$ 158,660	\$ 1,725,555	\$ 22,256,504	\$ 2,327,294
Revenue Dedicated to Servicing Debt	1,931,630	-	1,332,221	-	-	3,263,851	-
Miscellaneous	30,576	1,118,479	794	55,809	1,890	1,207,548	-
Total Operating Revenue	4,849,677	16,256,972	3,679,340	214,469	1,727,445	26,727,903	2,327,294
<b>OPERATING EXPENSES</b>							
Personnel Services	857,092	1,200,215	596,984	569,934	888,853	4,113,078	1,000,908
Other Current Expenses	738,474	1,834,705	656,520	308,760	661,475	4,199,934	1,013,985
Materials (Cost of Goods Sold)	27,915	7,586,043	276,509	34,139	141,374	8,065,980	-
Depreciation	550,253	1,617,992	1,078,666	1,447,330	365,200	5,059,441	-
Total Operating Expenses	2,173,734	12,238,955	2,608,679	2,360,163	2,056,902	21,438,433	2,014,893
<b>OPERATING INCOME (LOSS)</b>	2,675,943	4,018,017	1,070,661	(2,145,694)	(329,457)	5,289,470	312,401
<b>NONOPERATING REVENUE (EXPENSE)</b>							
Capital Grants	51,485	-	-	1,469,084	172,000	1,692,569	-
Investment Earnings	24,562	64,260	31,152	7,309	23,160	150,443	12,635
Rental Revenue	-	15,120	-	256,843	100	272,063	-
Interest Expense	(986,151)	(487,775)	(88,161)	(45)	-	(1,562,132)	-
Insurance Proceeds	13,179	-	-	91,433	-	104,612	-
Other Revenues	-	-	497	-	-	497	-
Bond Proceeds			-				
Gain (Loss) on Disposition of Assets	32,511	46,071	-	14	(59,006)	19,590	-
Total Nonoperating Revenue (Expense)	(864,414)	(362,324)	(56,512)	1,824,638	136,254	677,642	12,635

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,811,529	3,655,693	1,014,149	(321,056)	(193,203)	5,967,112	325,036
Capital Contributions	-	-	58,511	-	-	58,511	-
Transfers In (Out)	(345,411)	(2,510,215)	511,633	(24,004)	1,258,115	(1,109,882)	-
<b>CHANGE IN NET POSITION</b>	1,466,118	1,145,478	1,584,293	(345,060)	1,064,912	4,915,741	325,036
<b>NET POSITION - BEGINNING, AS RESTATED</b>	<u>20,309,660</u>	<u>29,967,183</u>	<u>17,592,281</u>	<u>30,842,407</u>	<u>7,541,163</u>	<u>106,252,694</u>	<u>2,253,147</u>
<b>NET POSITION - ENDING</b>	<u>\$ 21,775,778</u>	<u>\$ 31,112,661</u>	<u>\$ 19,176,574</u>	<u>\$ 30,497,347</u>	<u>\$ 8,606,075</u>	<u>\$ 111,168,435</u>	<u>\$ 2,578,183</u>

The accompanying notes are an integral part of this statement.

**City of Pierre, South Dakota**  
**Reconciliation of the Proprietary Funds Statement of Revenues,**  
**Expenditures, and Change in Net Position to the Statement of Activities**  
**For the Year Ended December 31, 2022**

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Change in Net Position - Total Proprietary Funds	\$ 4,915,741
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of the enterprise funds' participation in the activities conducted in the internal service fund.

<u>104,624</u>
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Change in Net Position of Business-type Activities	<u>\$ 5,020,365</u>
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The accompanying notes are an integral part of this statements.

**City of Pierre, South Dakota**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended December 31, 2022**

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
<b>CASH FLOWS FROM (USED BY)</b>							
<b>OPERATING ACTIVITIES</b>							
Receipts from Customers	\$ 4,843,097	\$ 16,284,397	\$ 3,709,595	\$ 149,501	\$ 1,733,565	\$ 26,720,155	\$ 2,333,404
Payments to Suppliers	(2,283,400)	(10,196,375)	(1,741,854)	(370,588)	(828,211)	(15,420,428)	(943,702)
Payments to Employees	(860,222)	(1,225,179)	(555,079)	(584,932)	(946,365)	(4,171,777)	(1,014,776)
Net Cash from (Used by) Operating Activities	<u>1,699,475</u>	<u>4,862,843</u>	<u>1,412,662</u>	<u>(806,019)</u>	<u>(41,011)</u>	<u>7,127,950</u>	<u>374,926</u>
<b>CASH FLOWS FROM (USED BY)</b>							
<b>NONCAPITAL FINANCING ACTIVITIES</b>							
Due to (from) Other Funds	-	-	-	-	(88,339)	(88,339)	-
Transfers (to) from Other Funds	-	(2,500,000)	-	(24,004)	1,256,965	(1,267,039)	-
Net Cash from (Used by) Noncapital Financing Activities	<u>-</u>	<u>(2,500,000)</u>	<u>-</u>	<u>(24,004)</u>	<u>1,168,626</u>	<u>(1,355,378)</u>	<u>-</u>
<b>CASH FLOWS FROM (USED BY)</b>							
<b>CAPITAL AND RELATED</b>							
<b>FINANCING ACTIVITIES</b>							
Capital Grants and Contributions	51,485	-	58,511	1,432,648	172,000	1,714,644	-
Proceeds from Debt Issuance	3,878,305	-	7,990,976	-	-	11,869,281	-
Proceeds from Sale of Capital Assets	32,511	47,318	-	24,018	22,767	126,614	-
Other Receipts	-	15,120	497	256,843	100	272,560	-
Purchase of Capital Assets	(7,839,983)	(470,218)	(7,273,011)	(263,129)	(1,320,226)	(17,166,567)	-
Insurance Proceeds	13,179	-	-	91,433	-	104,612	-
Debt Principal Paid	(324,518)	(755,103)	(153,156)	-	-	(1,232,777)	-
Debt Interest Paid	(941,688)	(489,154)	(88,652)	-	-	(1,519,494)	-
Net Cash from (Used by) Capital and Related Financing Activities	<u>(5,130,709)</u>	<u>(1,652,037)</u>	<u>535,165</u>	<u>1,541,813</u>	<u>(1,125,359)</u>	<u>(5,831,127)</u>	<u>-</u>

The accompanying notes are an integral part of this statements.



**City of Pierre, South Dakota**  
**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM (USED BY)</b>							
<b>INVESTING ACTIVITIES</b>							
Cash (Invested in) Provided by Restricted/Reserve Accounts	-	(1,127,269)	-	-	(30,000)	(1,157,269)	-
Cash Received for Interest	24,562	64,260	31,152	7,309	23,160	150,443	12,635
Net Cash from (Used by) Investing Activities	24,562	(1,063,009)	31,152	7,309	(6,840)	(1,006,826)	12,635
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,406,672)	(352,203)	1,978,979	719,099	(4,584)	(1,065,381)	387,561
<b>BALANCE - BEGINNING</b>	8,421,302	4,304,201	5,791,322	735,528	4,584	19,256,937	2,289,813
<b>BALANCE - ENDING</b>	<u>\$ 5,014,630</u>	<u>\$ 3,951,998</u>	<u>\$ 7,770,301</u>	<u>\$ 1,454,627</u>	<u>\$ -</u>	<u>\$ 18,191,556</u>	<u>\$ 2,677,374</u>

The accompanying notes are an integral part of this statements.

**City of Pierre, South Dakota**  
**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2022**

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED BY) OPERATING ACTIVITIES</b>							
Operating Income (Loss)	\$ 2,675,943	\$ 4,018,017	\$ 1,070,661	\$ (2,145,694)	\$ (329,457)	\$ 5,289,470	\$ 312,401
Adjustments to Reconcile Operating Income to Net Cash from (Used by) Operating Activities:							
Depreciation & Amortization Expense	550,253	1,617,992	1,078,666	1,447,330	365,200	5,059,441	-
Change in Assets and Liabilities:							
Accounts Receivables/Unbilled Receivables	(43,645)	(56,239)	5,867	(59,953)	3,829	(150,141)	6,110
Prepaid Expenses	-	-	6,745	(24,638)	-	(17,893)	-
Inventories	(283,190)	(530,771)	-	12,950	(22,659)	(823,670)	-
Pension-related Deferred Outflows	52,626	58,125	75,818	(30,902)	27,784	183,451	-
OPEB-related Deferred Outflows	1,358	2,030	864	945	1,419	6,616	-
Accounts and Other Payables	(1,233,821)	(244,856)	(815,570)	(14,490)	(2,702)	(2,311,439)	56,415
Accrued Wages Payable	472	(294)	(58)	792	(456)	456	-
Revenue Collected in Advance	37,065	80,258	24,388	-	2,291	144,002	-
Customer Deposits	-	3,406	-	-	-	3,406	-
Accrued Leave Payable	(4,475)	6,910	5,265	4,218	(29,895)	(17,977)	-
Change in Lease Related Balances	-	-	-	(5,051)	-	(5,051)	-
Pension-related Deferred Inflows	(231,664)	(368,211)	(155,401)	(89,713)	(254,196)	(1,099,185)	-
OPEB-related Deferred Inflows	(8,141)	(12,164)	(5,178)	(5,662)	(8,506)	(39,651)	-
OPEB Liability	7,027	3,006	4,822	12,146	(36)	26,965	-
Pension-related Asset/Liability	179,667	285,634	115,773	91,703	206,373	879,150	-
<b>NET CASH FROM (USED BY) OPERATING ACTIVITIES</b>	<u>\$ 1,699,475</u>	<u>\$ 4,862,843</u>	<u>\$ 1,412,662</u>	<u>\$ (806,019)</u>	<u>\$ (41,011)</u>	<u>\$ 7,127,950</u>	<u>\$ 374,926</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>							
Capital Assets Contributed by Other Funds	<u>\$ (345,411)</u>	<u>\$ (10,215)</u>	<u>\$ 511,633</u>	<u>\$ (24,004)</u>	<u>\$ -</u>	<u>\$ 132,003</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statements.

**City of Pierre, South Dakota**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**December 31, 2022**

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	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$       2,655
<b>LIABILITIES</b>	
Accounts Payable	<u>5,474</u>
<b>NET POSITION</b>	
Restricted for Employees	<u><u>\$       (2,819)</u></u>

The accompanying notes are an integral part of this statements.

**City of Pierre, South Dakota**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Funds**  
**For the Year Ended December 31, 2022**

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	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Health Savings Deposits	\$ 140,074
<b>DEDUCTIONS</b>	
Employee Flex Spending	<u>142,157</u>
<b>CHANGE IN NET POSITION</b>	(2,083)
<b>NET POSITION - BEGINNING</b>	<u>(736)</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ (2,819)</u></u>

The accompanying notes are an integral part of this statements.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

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

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

Financial statements of the Housing and Redevelopment Commission of the City are discretely presented in the accompanying financial statements under "component units." The financial information is as of and for the year ended June 30, 2022. The financial statements have been audited by other auditors. The component unit is reported using the accrual basis of accounting. Separate financial statements for the component unit can be obtained from the Housing and Redevelopment Commission of the City of Pierre, PO Box 937, Pierre, SD 57501.

The component unit is a governmental unit formed to provide low-income housing to residents of the City. The City Commission appoints the board members of the component unit, thus having control over it. The City Commission has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49. I, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The City participates in a cooperative unit for the Exposition Building (Hughes County, Stanley County, and the City of Fort Pierre (see Note 20). Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the City.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Government-wide Financial Statements:*

The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above, and may be classified as either governmental or business-type activities. See the discussion of the individual component unit in Note 1.A above.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the City or if it meets the following criteria:

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

The funds of the City are described below:

**Governmental Funds:**

*General Fund* - The General Fund is the general operating fund of the City. 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 Fund Types* - 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. The City's special revenue funds are as follows:

*Special Sales Tax Fund* - A fund established by ordinance to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions. Proceeds from this tax are 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 city (SDCL 10-52A-2). This fund was established through local ordinance. This is a major fund.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The remaining of the City's Special Revenue Funds are not major funds and are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements. The following is a listing of the funds: Occupancy Tax Fund; E-911 Fund; Library Fund; Police Pistol Fund; Police Cadet Fund; Public/Education Government Channel Fund; and Storm Drainage Fund.

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

*TIF Funds* - To account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has three of these debt service funds (TIF #4, #6, and #7). These are not major funds.

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

*Capital Improvement Fund* - A fund established by ordinance to account for a portion of the City's general sales tax. Proceeds from this tax are to be used for capital outlay expenditures and for retiring capital improvement indebtedness for both governmental and business-type activity debt. This is a major fund.

*Permanent Funds* - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is for the benefit of the City and its citizenry.

*Cemetery Perpetual Care Fund* - To account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

**Proprietary Funds:**

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

*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.)

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 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 City waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

*Electric Fund* - Financed primarily by user charges this fund accounts for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96). This is a major fund.

*Wastewater Fund* - Financed primarily by user charges this fund accounts for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2 and 9-48-29). This is a major fund.

*Airport Fund* - Financed primarily by user charges this fund accounts for the acquisition, construction, and operation of a municipal airport (SDCL 50-7-2). This is a major fund.

The City reports the following non-major enterprise funds:

*Garbage Fund* - To account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6).

*Landfill Fund* - To account for the construction and operation of landfill operation for the City.

*Internal Services Funds* - Internal Services Funds are used to account for the financing of goods or services provided by one department or custodial to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund and Medical Spending Fund are the only internal service funds maintained by the City. Internal service funds are never considered to be major funds.

**Fiduciary Funds:**

*Custodial Fund* - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefits) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of various pass-through funds. Fiduciary Funds are never considered to be major funds.

**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.

**Measurement Focus**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, the governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.



**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

*Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City, the length of that cycle is 30 days. The revenues that are accrued at December 31, 2022 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collecting within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**D. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS**

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.
3. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement.

**E. DEPOSITS AND INVESTMENTS**

For the purpose of financial reporting and the Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at the date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

**F. CAPITAL ASSETS**

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

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost and classified as "Improvements other than Buildings."

For capital assets, construction-period interest is not capitalized, in accordance with US GAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

*Government-wide Statements:*

All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements, or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
	***	***	***
Land and land rights			
Buildings	\$ 5,000	Straight-line	40 - 99 years
Improvements other than buildings	5,000	Straight-line	10 - 25 years
Machinery and equipment	5,000	Straight-line	3 - 25 years
Infrastructure	5,000	Straight-line	25 - 50 years
Utilities, property, and improvements	5,000	Straight-line	10 - 50 years

\*\*\*Land, an inexhaustible capital asset, is not depreciated.

*Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

**G. LONG-TERM LIABILITIES**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue bonds payable, other post-employment benefits, and direct financing arrangements.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

**H. PROGRAM REVENUES**

Program revenues derive directly from the program itself or parties other than the City'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.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 a particular program.

**I. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that apply to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

**J. PROPRIETARY FUNDS REVENUE AND EXPENSE CLASSIFICATION**

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

**K. CASH AND CASH EQUIVALENTS**

The City 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 unrestricted equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows, excluding funds that are held in reserve or restricted.

**L. RESTRICTED ASSETS**

Certain debt proceeds of the City's governmental and enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset construction and future landfill closure and post-closure costs.

**M. EQUITY CLASSIFICATION**

*Government-wide Statements:*

Equity is classified as net position and is displayed in three components:

*Net Investment in Capital Assets* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.

*Restricted Net Position* - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - All other net position that does not meet the definition of "net investment in capital assets" or "restricted."

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

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

**N. 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 position are available.

**O. 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 City classifies governmental fund balances as follows:

*Nonspendable Fund Balance* - Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted Fund Balance* - Amounts constrained to specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

*Committed Fund Balance* - Amounts constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end.

*Assigned Fund Balance* - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.

*Unassigned Fund Balance* - Positive fund balance within the General Fund which has not been classified in the above-mentioned categories and negative fund balance in other governmental funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Commission through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

In June 2016, the City approved Resolution #2584, which was a resolution establishing a policy in which the City will attempt to maintain an individual fund undesignated reserve balance of 16% of annual estimated revenues. This estimate will be updated annually for current budget figures and the Commission will review the undesignated fund balance as it relates to this policy annually as part of the annual budget process or annual financial reporting process.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A schedule of fund balances reported on the balance sheet of the governmental funds is as follows:

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 272,387	\$ -	\$ -	\$ 107,306	\$ 379,693
Cemetery	-	-	-	50,000	50,000
Restricted for:					
Public Works	4,901,344	-	-	-	4,901,344
Special Sales Tax	-	-	1,469,118	-	1,469,118
Storm Drainage	-	-	-	896,049	896,049
Library	-	-	-	61,339	61,339
911	-	-	-	609,400	609,400
Cemetery	-	-	-	4,464	4,464
Culture and Recreation	2,508,187	-	-	-	2,508,187
Committed to:					
Capital Improvements	-	1,002,922	-	-	1,002,922
Culture and Recreation	19,650	-	-	18,467	38,117
Police Pistol	-	-	-	31,867	31,867
Police Cadets	-	-	-	17,770	17,770
Occupancy Tax	-	-	-	665,675	665,675
Assigned to:					
Capital Accumulations	2,567,637	-	-	-	2,567,637
Total Fund Balances	<u>\$ 10,268,055</u>	<u>\$ 1,002,922</u>	<u>\$ 1,469,118</u>	<u>\$ 2,462,337</u>	<u>\$ 15,202,432</u>

**P. PENSIONS**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The City's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**Q. LEASES**

**Lessee:**

The City is a lessee for noncancelable leases of equipment. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The City recognizes right-to-use lease assets and lease liabilities with an initial, individual value of \$5,000 or more.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

*Lessor:*

The City is a lessor for a noncancelable lease of property. The City recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

During the year ended December 31, 2022, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This statement improves the accounting and financial reporting for leases; enhances the comparability of financial statements between governments; and also enhances the relevance, reliability, and consistency of information about the leasing activities of governments. The effect of the implementation of this standard on beginning net position is disclosed in Note 24.

**NOTE 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 below.

*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 that 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.

Deposits are reported at cost plus interest if the account is the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City's policy is to credit all income from deposits and investments to the fund making the investment.

*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. The City reported no investments at December 31, 2022.

*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.

*Custodial Credit Risk - Deposits* - The risk that in the event of a depository failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial risk. As of December 31, 2022, the City's deposits in financial institutions were not exposed to credit risk as all deposits were fully insured or collateralized and were not exposed to custodial risk.

*Custodial Credit Risk (Component Unit)* - The Commission does not have a deposit policy of custodial risk. As of June 30, 2022, the Commission's deposits were fully insured or collateralized and were not exposed to custodial risk.



**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*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.

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

**NOTE 3 - RESTRICTED ASSETS**

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

Purpose	Amount
Governmental Activities:	
Cemetery Perpetual Care	\$ 54,464
Pension	<u>27,173</u>
Total Governmental	<u>\$ 81,637</u>
Business-type Activities:	
Debt Service Covenants	\$ 7,069,356
Customer Deposits	670,837
Landfill Expansion and Post-closure Costs	1,274,144
Pension	<u>10,772</u>
Total Business-type	<u>\$ 9,025,109</u>

**NOTE 4 - RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

- *General Fund* - \$852,403 due from state government for 1% city sales tax; \$95,609 due from state government for liquor tax reversion funds; and \$102 due from state government for grant reimbursements.
- *Capital Improvement Fund* - \$852,403 due from state government for 1% city sales tax.
- *Special Sales Tax Fund* - \$96,687 due from state government for 1% city sales tax.
- *Airport Fund* - \$1,096,230 due from the federal government for grant.
- *E-911 Fund* - \$102,859 due from state government for state radio charges.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 6 - INVENTORY**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the storm drainage fund and the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

*Government-wide Financial Statements*

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

*Fund Financial Statements*

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

**NOTE 7 - UNAVAILABLE REVENUE**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The governmental funds report unavailable delinquent property tax revenues, sales tax revenues, and other grant revenues not considered available as of year-end.

**NOTE 8 - 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 in the City.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 9 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

Primary Government	(Restated) Balance 1/1/2022	Additions	Transfers & Retirements	Balance 12/31/2022
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 15,028,056	\$ 600,862	\$ (1,000)	\$ 15,627,918
Construction in Progress	5,179,139	8,658,678	(4,774,135)	9,063,682
Capital Assets Being Depreciated:				
Buildings	30,815,407	158,752	(740,203)	30,233,956
Improvements Other Than Buildings	51,235,883	6,940,587	(1,128,324)	57,048,146
Machinery and Equipment	14,907,669	1,362,273	(861,556)	15,408,386
Totals at Historical Cost	117,166,154	17,721,152	(7,505,218)	127,382,088
Less Accumulated Depreciation for:				
Buildings	12,880,317	869,403	(657,666)	13,092,054
Improvements Other Than Buildings	18,756,673	1,809,559	(1,128,324)	19,437,908
Machinery and Equipment	9,054,165	793,330	(680,237)	9,167,258
Total Accumulated Depreciation	40,691,155	3,472,292	(2,466,227)	41,697,220
Net Capital Assets	76,474,999	14,248,860	(5,038,991)	85,684,868
Right To Use Leased Assets Being Amortized:				
Right to Use Leased Equipment	79,045	-	-	79,045
Less Accumulated Amortization for:				
Right to Use Leased Equipment	-	37,888	-	37,888
Net Right to Use Leased Assets	79,045	(37,888)	-	41,157
Governmental Activity Capital Assets, Net	\$ 76,554,044	\$ 14,210,972	\$ (5,038,991)	\$ 85,726,025

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 190,505
Public Safety	198,338
Public Works	1,840,912
Health and Welfare	48,669
Culture and Recreation	1,231,756
Total Depreciation and Amortization Expense - Governmental Activities	\$ 3,510,180

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 9 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

Primary Government	(Restated) Balance 1/1/2022	Additions	Transfers & Retirements	Balance 12/31/2022
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 4,757,831	\$ -	\$ -	\$ 4,757,831
Construction in Progress	32,501,088	18,231,910	(539,381)	50,193,617
Capital Assets Being Depreciated:				
Buildings	96,249,331	921,256	(53,997)	97,116,590
Improvements Other Than Buildings	39,794,794	353,837	(86,384)	40,062,247
Machinery and Equipment	17,950,484	1,411,810	(217,386)	19,144,908
Totals at Historical Cost	191,253,528	20,918,813	(897,148)	211,275,193
Less Accumulated Depreciation for:				
Buildings	25,644,336	1,534,799	-	27,179,135
Improvements Other Than Buildings	26,491,619	1,074,633	(134,651)	27,431,601
Machinery and Equipment	10,884,317	2,448,541	(140,381)	13,192,477
Total Accumulated Depreciation	63,020,272	5,057,973	(275,032)	67,803,213
Net Capital Assets	128,233,256	15,860,840	(622,116)	143,471,980
Right To Use Leased				
Assets Being Amortized:				
Right to Use Leased Equipment	6,930	-	-	6,930
Less Accumulated Amortization for:				
Right to Use Leased Equipment	-	1,468	-	1,468
Net Right to Use Leased Assets	6,930	(1,468)	-	5,462
Business-type Activity Capital Assets, Net	\$ 128,240,186	\$ 15,859,372	\$ (622,116)	\$ 143,477,442

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Water	\$ 550,253
Electric	1,617,992
Waste Water	1,078,666
Airport	1,447,330
Landfill	365,200
Total Depreciation and Amortization Expense - Business-type Activities	\$ 5,059,441

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 9 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

The City had active construction projects as of December 31, 2022. At year-end, the City had commitments with contractors and ongoing projects as follows:

	Project Authorization	Expended Through 12/31/22	Committed
Outdoor Swimming Pool	13,000,000	8,980,012	4,019,988
Pickleball Court Project	250,000	15,040	234,960
Washbay	1,000,000	54,350	945,650
Griffin Shelter	16,500	6,000	10,500
Cemetery Irrigation System	31,500	8,280	23,220
Water Treatment Plant	38,000,000	35,850,298	2,149,702
Water Main Loop Hwy 34	3,124,469	58,459	3,066,010
Euclid Water Main Replacement	2,591,608	71,857	2,519,751
Utility Truck Body	200,000	58,778	141,222
Infrastructure Phase I	9,000,000	7,635	8,992,365
Wastewater Plant Improvements Phase 3	13,000,000	13,211,763	(211,763)
Septic Dump Station	242,699	18,678	224,021
Runway 7-25 Rehabilitation	9,150,000	881,875	8,268,125
Snow Plow Acquisition	632,280	5,680	626,600
ARFF Test Cart	34,125	28,594	5,531
	<u>\$ 90,273,181</u>	<u>\$ 59,257,299</u>	<u>\$ 31,015,882</u>

Interest costs incurred before the end of a construction period are expensed, and not included in the historical cost of the associated capital asset reported in a business-type activity or enterprise fund.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 10 - CHANGES IN COMPONENT UNIT CAPITAL ASSETS**

A summary of changes in component unit capital assets for the year ended June 30, 2022 is as follows:

Component Unit	Balance 7/1/2021	Increase	Decrease	Balance 6/30/2022
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 80,645	\$ -	\$ -	\$ 80,645
Construction in Progress	<u>22,348</u>	<u>110,250</u>	<u>-</u>	<u>132,598</u>
Total Capital Assets not Being Depreciated	102,993	110,250	-	213,243
Capital Assets Being Depreciated:				
Buildings and Improvements	2,855,710	29,072	(38,593)	2,846,189
Furniture and Equipment	<u>71,549</u>	<u>1,150</u>	<u>(6,167)</u>	<u>66,532</u>
Total Capital Assets Being Depreciated	<u>2,927,259</u>	<u>30,222</u>	<u>(44,760)</u>	<u>2,912,721</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,582,586	43,129	(38,180)	2,587,535
Furniture and Equipment	<u>51,859</u>	<u>5,085</u>	<u>(6,167)</u>	<u>50,777</u>
Total Accumulated Depreciation	<u>2,634,445</u>	<u>48,214</u>	<u>(44,347)</u>	<u>2,638,312</u>
Total Capital Assets Being Depreciated, Net	<u>292,814</u>	<u>(17,992)</u>	<u>(413)</u>	<u>274,409</u>
Governmental Activity Capital Assets, Net	<u>\$ 395,807</u>	<u>\$ 92,258</u>	<u>\$ (413)</u>	<u>\$ 487,652</u>

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 11 - LONG-TERM DEBT**

The City has revenue bonds and tax-increment financing direct placements related to governmental activities totaling \$15,177,604 and \$692,150, respectively, and revenue bonds related to business-type activities totaling \$65,497,886. The City has pledged sales taxes and utility customer revenues for the payment of the revenue bonds. There are several limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

A summary of changes in long-term debt is as follows:

Primary Government	(Restated) 01/01/22	Additions	Deletions	12/31/22	Due Within One Year	Interest Paid
Governmental Activities:						
Bonds Payable:						
Tax Increment Financing	\$ 815,302	\$ -	\$ (123,152)	\$ 692,150	\$ 131,425	\$ 42,708
Revenue	16,417,833	-	(1,240,229)	15,177,604	1,257,924	338,482
Total Debt	17,233,135	-	(1,363,381)	15,869,754	1,389,349	381,190
Accrued Compensated Absences	922,706	55,109	-	977,815	73,336	-
Direct Financing Arrangements	79,045	-	(42,542)	36,503	10,109	926
OPEB	964,668	15,130	-	979,798	-	-
Total Governmental Activities	19,199,554	70,239	(1,405,923)	17,863,870	1,472,794	382,116
Business-type Activities:						
Bonds Payable:						
Revenue	49,458,825	17,271,838	(1,232,777)	65,497,886	1,935,704	1,562,087
Total Debt	49,458,825	17,271,838	(1,232,777)	65,497,886	1,935,704	1,519,457
Accrued Compensated Absences	437,516	-	(16,502)	421,014	31,659	-
Direct Financing Arrangements	6,930	-	(1,466)	5,464	1,475	45
OPEB	399,171	26,965	-	426,136	-	-
Total Business-type Activities	50,302,442	17,298,803	(1,250,745)	66,350,500	1,968,838	1,519,502
Total Primary Government	\$ 69,501,996	\$ 17,369,042	\$ (2,656,668)	\$ 84,214,370	\$ 3,441,632	\$ 1,901,618
Component Unit						
	07/01/21	Increase	Decrease	06/30/22	Due Within One Year	
Accrued Compensated Absences	\$ 7,100	\$ 8,574	\$ (9,851)	\$ 5,823	\$ 3,746	

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

Debt payable at December 31, 2022 was comprised of the following:

Government Activity Debt:

Revenue Bonds:

2010 Tax Increment Revenue Bond for TIF District No. 6 Loan. Payable in semi-annual installments of approximately \$80,000 at 5.6% interest. Paid by a Debt Service fund. Due in 2026.	\$ 656,736
2008 Tax Increment Revenue Bond for TIF District No. 4 Loan. Payable in semi-annual installments at 4.5% interest. Paid by a Debt Service fund. Due in 2024.	35,414
State Revolving Fund Loan - Solid Waste Landfill and Baler. Payable in semi-annual installments of \$20,056, including interest at 3.0%. Paid out of the Capital Improvement Fund. Due in 2023.	39,228
State Revolving Fund Loan for landfill remediation. Payable in quarterly installments of \$10,685, including interest at 3.25%. Paid out of the Capital Improvement Fund. Due in 2031.	316,319
State Revolving Fund Loan for the development of a landfill. Payable in quarterly installments of \$20,918, including interest at 3.5%. Paid out of the Capital Improvement Fund. Due in 2025.	160,938
2015 Sales Tax Revenue Bond. Payable in quarterly installments of \$22,883, including interest at 2.25%. Paid out of the Special Tax Fund. Due in 2025.	264,813
2016 Solid Waste Revenue Bond for landfill baler replacement. Payable in semi-annual installments of \$21,938, including interest at 2.25%. Paid out of the Special Tax Fund. Due in 2026.	166,939
2016 Sales Tax Revenue Bond. Payable in semi-annual installments of varying amounts, including interest rates ranging from 2.25% to 3.90%. Paid out of the Capital Improvement Fund and Waste Water Fund. Due in 2036.	4,793,472
2017 Sales Tax Revenue Bond for the Hilger's Gulch Sanitary Sewer Phase 1. Only a portion of the \$1,450,000 has been drawn. Payable in quarterly installments of \$40,582 beginning August 2019, including interest at 2.25% paid out of the Special Tax Fund. Due in 2029.	571,674
2020 Sales Tax Revenue Bond for the Outdoor Pool. Payable in semi-annual installments of \$387,370 beginning 2021, including interest at 1.94% Paid out of the General Fund. Due in 2035.	<u>8,864,221</u>
Total Revenue Bonds	<u>15,869,754</u>



**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2021:

Annual Leave	494,991
Sick Leave	470,270
Comp Leave	<u>12,554</u>

Total Compensated Absences	<u>977,815</u>
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Right to Use Leases	36,503
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Other Post Employment Benefits	<u>979,798</u>
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Total Governmental Activity Debt	<u>17,863,870</u>
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Business-type Activity Debt:

Revenue Bonds:

2016 Sales Tax Revenue Bond. Payable in semi-annual installments of varying amounts, including interest rates ranging from 2.25% to 3.90%. Paid out of the Capital Improvement Fund and Waste Water Fund. Due in 2036.	730,889
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Electric Revenue Refunding Bonds, Series 2019, to refund bonds previously issued for a new electric substation. Payable in semi-annual installments of \$337,340, including interest rates at 2.98%. Paid out of the Electric Fund. Due in 2039.	8,947,521
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Electric Revenue Bonds, Series 2017 for electric infrastructure. Payable in semi-annual installments of varying amounts, including interest at 2.98%. Paid out of the Electric Fund. Due in 2037.	6,811,000
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2016 Clean Water State Revolving Fund for Wastewater Treatment Facility Improvements. Only a portion of the \$3,821,100 has been drawn. Payments will begin in 2019 with interest at 2.25% and a .75% surcharge. Due in 2039.	2,315,711
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2021 Clean Water State Revolving Fund for Wastewater Treatment Facility Improvements. Only a portion of the \$15,310,000 has been drawn. Payments will begin in 2023 with interest at 2.0% and a .5% surcharge. Due in 2043.	12,174,510
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2020 Drinking Water State Revolving Fund for Water Treatment Facility Construction. Only a portion of the \$38,000,000 has been drawn. Payments will begin in 2022 with interest at 2.0% and a .5% surcharge. Due in 2052.	<u>34,518,255</u>
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Total Revenue Bonds	<u>65,497,886</u>
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**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

Compensated Absences:

Compensated Absences of Enterprise:

Employees:

Annual Leave	203,345
Sick Leave	211,731
Comp Leave	5,938

Total Compensated Absences	421,014
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Right to Use Leases	5,464
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Other Post Employment Benefits	426,136
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Total Business-type Activity Debt	66,350,500
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Total Primary Government	\$ 84,214,370
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Component Unit Compensated Absences	\$ 5,823
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The annual requirements to amortize all debt outstanding as of December 31, 2022, excluding compensated absences and other post-employment benefits are as follows:

**Governmental Activities:**

	Revenue Bonds		Tax Increment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending December 31						
2023	\$ 1,257,924	\$ 336,821	\$ 131,425	\$ 35,974	\$ 1,389,349	\$ 372,795
2024	1,247,348	307,283	138,111	28,826	1,385,459	336,109
2025	1,191,932	279,030	126,940	21,522	1,318,872	300,552
2026	1,126,720	252,730	134,017	14,444	1,260,737	267,174
2027	1,100,049	246,711	141,490	6,972	1,241,539	253,683
2028 - 2032	5,420,852	847,411	20,167	555	5,441,019	847,966
2033 - 2036	3,832,779	212,371	-	-	3,832,779	212,371
	\$ 15,177,604	\$ 2,482,357	\$ 692,150	\$ 108,293	\$ 15,869,754	\$ 2,590,650

**Business-type Activities:**

	Revenue Bonds	
	Principal	Interest
Year Ending December 31		
2023	\$ 1,935,704	\$ 2,210,507
2024	2,461,242	1,704,241
2025	2,525,377	1,640,781
2026	2,590,847	1,575,450
2027	2,656,441	1,511,708
2028 - 2032	14,348,556	6,489,900
2033 - 2037	16,241,430	4,524,235
2038 - 2042	9,899,966	2,520,521
2043 - 2047	7,329,713	1,418,607
2048 - 2051	5,508,610	415,505
	\$ 65,497,886	\$ 24,011,455

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

The remaining principal and interest payments on right-to-use leases are as follows:

Ending December 31	Governmental Leases		Business Type Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,110	\$ 392	\$ 1,475	\$ 35	\$ 11,585	\$ 427
2024	8,602	291	1,487	24	10,089	315
2025	7,293	196	1,498	13	8,791	209
2026	6,898	101	1,004	3	7,902	104
2027	3,600	17	-	-	3,600	17
	<u>\$ 36,503</u>	<u>\$ 997</u>	<u>\$ 5,464</u>	<u>\$ 75</u>	<u>\$ 41,967</u>	<u>\$ 1,072</u>

Further information on these leases can be found in Note 13.

**NOTE 12 - CONDUIT DEBT**

During the year ended December 31, 2018, the City issued revenue bonds to provide financial assistance to Capital Area Counseling Service, Inc. to finance the construction of a health and addiction treatment office building that has been deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the constructed facilities will be retained by the Capital Area Counseling Service, Inc. Neither the City, the State of South Dakota, nor any political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, there was one series of conduit bonds outstanding, with an unpaid principal amount of \$2,209,772. The City authorized the issuance of revenue bonds to provide financial assistance to the Oahe YMCA for construction up to \$3 million. As of December 31, 2022, this debt had not been issued as the project is still in the design phase.

**NOTE 13 - LEASES**

Lessee

The City entered into a five-year lease for 50 golf carts on March 1, 2018. An initial lease liability was recorded in the amount of \$31,235. As of December 31, 2022, the value of the lease liability was \$0. The City was required to make monthly fixed payments of \$5,314. The lease had an interest rate of 3.8%. The value of the right-to-use assets as of December 31, 2022 was \$31,235 with accumulated amortization of \$26,773. The golf carts are included on the Leased Equipment line of the governmental activities table in note 9. The final lease payment was made during the year ended December 31, 2022.

The City leases office equipment for various departments including copiers and postage machines. These leases require monthly fixed payments ranging from \$33 to \$200 and terminate from 2024 to 2027. An initial lease liability was recorded for \$54,739 across the airport fund and the governmental activities of the City. The leases have interest rates of 0.258% to 2.536%. The value of the right to use assets as of December 31, 2022 was \$54,739 with accumulated amortization of \$12,583. The office equipment is included on the Leased Equipment line of the governmental and business type activities tables in note 9.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 13 - LEASES (CONTINUED)**

Lessor

The City leases hangar space at the airport under various agreements. These agreements require annual payments ranging from \$120 to \$3,675 and terminate between 2024 and 2051. Initial lease receivable was recorded in the amount of \$132,380. As of December 31, 2022, the value of the lease receivable was \$118,093. The lessees are required to make annual variable fixed in substance principal and interest payments of \$14,286. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2022 was \$131,461 and the City recognized lease revenues of \$16,328 for the year then ended. The lessees may have options to extend for up to 60 months. This lease agreement is reflected in the airport fund.

The City leases space in the airport terminal to the Transportation Security Administration under a 120-month agreement. An initial lease receivable was recorded in the amount of \$190,817. As of December 31, 2022, the value of the lease receivable was \$190,817. The lessee is required to make monthly fixed payments of \$2,127. The lease has an interest rate of 3.1270%. The value of the deferred inflow of resources as of December 31, 2022 was \$190,817 and the City recognized lease revenues of \$6,412 for the year then ended. The lessee has one option to extend the lease for 60 months. This lease agreement is reflected in the airport fund.

The City leases land around the airport under various agreements. These agreements require annual payments ranging from \$120 to \$3,675 and terminate between 2024 and 2051. Initial lease receivable was recorded in the amount of \$199,371. As of December 31, 2022, the value of the lease receivable was \$181,621. The lessees are required to make annual variable principal and interest payments of \$17,750 based on a CPI index of 0.0%. The leases have interest rates of 1.695%. The value of the deferred inflow of resources as of December 31, 2022 was \$209,112 and the City recognized lease revenues of \$28,556 for the year then ended. The lessees may have options to extend for up to 60 months. These lease agreements are reflected in the Airport Fund.

The City entered into a two-year lease with Key Lime Air Corporation, DBA as Denver Air Connection. An initial lease receivable was recorded in the amount of \$69,585. As of December 31, 2022, the value of the lease receivable was \$69,585. The lessee is required to make monthly variable fixed in substance principal and interest payments of \$3,873. The lease has an interest rate of 0.258%. The value of the deferred inflow of resources as of December 31, 2022 was \$69,460 and the City recognized \$46,390 of lease revenues for the year then ended. This lease agreement is reflected in the Airport Fund.

The City has a 252-month lease agreement for the use of FBO - Mustang Aviation 2018-2042 Frontage, Parking, Grass Area. An initial lease receivable in the amount of \$23,487 was recorded on January 1, 2022. As of December 31, 2022, the value of the lease receivable is \$22,220. The lessee is required to make annual variable principal and interest payments of \$1,266 based on a CPI index of 0.00%. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2022 was \$23,484 and the City recognized lease revenue of \$1,118 during the year then ended. The lessee has two extension options, each for 60 months. This lease agreement is reflected in the airport fund.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 13 - LEASES (CONTINUED)**

The City has a 252-month lease agreement for the use of FBO – Mustang Aviation 2018-2042 Frontage, Parking, Grass Area. An initial lease receivable in the amount of \$102,581 was recorded on January 1, 2022. As of December 31, 2022, the value of the lease receivable is \$96,832. The lessee is required to make annual fixed payments of \$5,749. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2022 was \$102,568 and the City recognized lease revenue of \$4,885 during the year then ended. The lessee has two extension options, each for 60 months. This lease agreement is reflected in the Airport Fund.

The City has a 162-month lease for the use of facilities at the airport. Initial lease receivables were recorded in the amount of \$15,730. As of December 31, 2022, the value of the lease receivables was \$13,446. The lessee is required to make annual fixed payments of \$1,142. The leases have an interest rate of 1.446%. The value of deferred inflows of resources as of December 31, 2022 was \$14,585 and the City recognized lease revenue of \$1,079 during the year then ended. This lease agreement is reflected in the Airport Fund.

The City has a 1024-month lease for the use of land by the Pierre Economic Development Corporation. An initial lease receivable was recorded in the amount of \$215,500. As of December 31, 2022, the value of the lease receivable was \$212,500. The lessee is required to make annual fixed payments of \$2,500. The lease has a 0.0% interest rate. The value of the deferred inflow of resources as of December 31, 2022 was \$212,493 and the City recognized \$2,490 of lease revenue for the year then ended. The lessee has one extension option for 600 months. This lease is reflected in the General Fund.

The City leases various properties under agreements ranging from 12 to 72 months. Initial lease receivables were recorded in the amount of \$89,946. As of December 31, 2022, the value of the lease receivable was \$73,863. The lease agreements require annual fixed payments ranging from \$220 to \$7,391. The leases have interest rates from 0.38% to 2.145%. The value of deferred inflows of resources as of December 31, 2022 was \$76,742 and the City recognized \$15,834 of lease revenues for the year ended. These leases are reflected in the General Fund.

**NOTE 14 - INTERFUND TRANSFERS**

Transfers for 2022 were as follows:

Transfers From:	Transfers In:						Total
	General Fund	Special Tax Fund	Waste Water Fund	Other Governmental Funds	Other Enterprise Funds	General Fixed Assets	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,258,115	\$ -	\$ 1,258,115
Special Tax Fund	303,936	-	-	-	-	-	303,936
Capital Improvement Fund	259,300	-	-	201,970	-	-	461,270
Airport Fund	-	-	-	-	-	24,004	24,004
Other Governmental Funds	92,106	83,852	-	-	-	-	175,958
Electric Fund	2,500,000	-	-	-	-	10,215	2,510,215
Water Fund	-	-	345,411	-	-	-	345,411
General Fixed Assets	-	-	166,222	-	-	-	166,222
	<u>\$ 3,155,342</u>	<u>\$ 83,852</u>	<u>\$ 511,633</u>	<u>\$ 201,970</u>	<u>\$ 1,258,115</u>	<u>\$ 34,219</u>	<u>\$ 5,245,131</u>

All transfers were to subsidize operations within funds.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 15 - RETIREMENT PLAN**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, hybrid, defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is 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 four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulations members.

Members who were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members who 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.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 15 - RETIREMENT PLAN (CONTINUED)**

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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum, such that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5% to 0.0%.

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ended December 31, 2022, 2021, and 2020 were \$609,387, \$564,483, and \$559,013 respectively, and were equal to the required contributions each year.

Pension Liability (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2022, SDRS was 100.10% funded and accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the City as of this measurement period ending June 30, 2022, and reported by the City as of December 31, 2022 were as follows:

Proportionate Share of Total Pension Liability	\$ 56,682,602
Less: Proportionate Share of Net Position Restricted for Pension Benefits	<u>56,720,547</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (37,945)</u>

At December 31, 2022, the City reported a liability (asset) of \$(37,945) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportion was 0.401531% which was a 0.01739% decrease from its proportion measured as of June 30, 2021.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 15 - RETIREMENT PLAN (CONTINUED)**

For the year ended December 31, 2022, the City recognized pension expense (reduction of pension expense) of \$(210,534). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 722,354	\$ 2,463
Changes in Assumption	2,411,808	2,105,924
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	90,939
Changes in Proportion and Difference Between the		
Contributions and Proportionate Share of Contributions	26,117	-
Contributions Subsequent to the Measurement Date	315,000	-
	<u>\$ 3,475,279</u>	<u>\$ 2,199,326</u>

There is \$315,000 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reductions of pension expense) as follows:

Year Ended December 31	
2023	\$ 257,049
2024	534,697
2025	(593,311)
2026	762,518
2027	-
Thereafter	-
	<u>\$ 960,953</u>

**Actuarial Assumptions**

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expenses. This is composed on an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10%



**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 15 - RETIREMENT PLAN (CONTINUED)**

Mortality Rates

- All mortality rates are based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010
  - Public Safety Members: PubS-2010
- Retired Members:
  - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
  - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
  - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
  - PubG-2010 contingent survivor mortality table
- Disabled Members:
  - Public Safety: PubS-2010 disabled member mortality table
  - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 15 - RETIREMENT PLAN (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 the management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed-income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.7%

Discount Rate

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

Sensitivity of Liability (Assets) to Changes in the Discount Rate

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the City'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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,879,387	\$ (37,945)	\$ (6,508,501)

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 15 - RETIREMENT PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position

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

**NOTE 16 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2022, the City managed its risks as follows:

Employee Health Insurance

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$40,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier, up to a specific annual maximum of \$2,000,000 per member. An estimated liability for claims incurred but not paid is accrued based on the past experience of the plan.

Changes in the amount of claims liabilities in the last three years were as follows:

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2022	\$ 54,812	\$ 972,815	\$ 986,683	\$ 40,944
2021	660,843	1,114,411	1,720,442	54,812
2020	67,280	1,930,154	1,336,591	660,843

Worker'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 never exceeded the liability coverage.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 16 - RISK MANAGEMENT (CONTINUED)**

Liability Insurance

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 to 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 general liability, officials' liability, automobile liability and damage, property damage, and law enforcement liability.

The City carries deductibles between \$0 and \$15,000 for the coverage provided. 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.

Component Unit

The Commission 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. The Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; health insurance from a commercial insurance carrier; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 17 - CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of Net Position date. The \$752,481 reported as landfill closure and post-closure care liability at December 31, 2022, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2006 and 8.71% of the new landfill which opened in 2006. The City will recognize the remaining estimated cost of closure and post-closure care of approximately \$6.4 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2022. The closure and post-closure costs have been calculated using a closure period when the largest amount of landfill would be open and require the most costly closure activity. This conservative approach assumes a partial closure date of 2069. The ultimate capacity of the landfill is expected to be reached sometime after 2144. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City was in compliance with these requirements, and at December 31, 2022, the City had contributed \$1,118,666 to this trust. The City expects that any future inflation costs will be paid from earnings on these investments and future contributions. However, if investment earnings are inadequate or additional closure or post-closure care requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

**NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN**

Plan Description

The City's Post Employment Health Care Plan is a single-employer defined benefit healthcare plan that provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 6-1-16 and is administered by the City. The Plan does not issue a stand-alone financial report.

Funding Policy

The contributions of plan members and the City are established by City policy. The required contribution is based on projected "pay-as-you-go" financial requirements, with an additional amount to pre-fund benefits as determined annually by the City.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)**

Changes in Liability

For the year ended December 31, 2022, the beginning balance of OPEB liability was \$1,363,838. Total OPEB liability was determined as of the measurement date, which is January 1, 2022. The changes in total OPEB liability for 2022 were as follows:

Total OPEB Liability - December 31, 2021	\$ 1,363,839
Changes for the Year:	
Service Cost	83,740
Interest on Total OPEB Liability	28,255
Assumption Changes	-
Differences Between Expected and Actual Experience	-
Benefit Payments	<u>(69,900)</u>
Total OPEB Liability - December 31, 2022	<u>\$ 1,405,934</u>

For the year ended December 31, 2022, the City recognized OPEB expense of \$8,010. OPEB expense was determined as follows:

Service Cost	\$ 83,740
Interest on Total OPEB Liability	28,255
Liability Gain or Loss	(105,680)
Assumption Changes	<u>1,694</u>
OPEB Expense	<u>\$ 8,009</u>

For the year ended December 31, 2022, The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains or Losses	\$ -	\$ 369,804
Changes in Assumption	71,380	100,542
Contributions Subsequent to the Measurement Date	<u>74,900</u>	<u>-</u>
	<u>\$ 146,280</u>	<u>\$ 470,346</u>

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense (revenue) as follows:

Year Ended December 31	
2023	\$ (103,986)
2024	(103,988)
2025	(86,640)
2026	(104,352)
2027	-
Thereafter	-
	<u>\$ (398,966)</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial of assets, consistent with the long-term perspective of the calculations.

The entry age normal level percentage of pay actuarial cost method was used to determine the total OPEB liability.

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following assumptions:

- Since the plan is not funded by an irrevocable trust, the discount rate is set by reviewing 20-year municipal bond yields. The discount rate used is 2.00%.
- The municipal bond rate assumption was set by considering published rate information for 20-year high-quality, tax-exempt, general obligation municipal bonds as of the measurement date.
- Mortality rates were based on the Pub-2010 Public Retirement Plans General Headcount – Weighted Mortality Tables with the MP-2020 Generational Improvement Scale.
- Medical trend rates were chosen based on a review of historical healthcare increase rates, projected healthcare increase rates, and projected healthcare expenditures as a percentage of GDP. Medical trend rate was 6.25% as of January 1, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years.
- The future retiree participation rate was assumed to be 75% for pre-65 where the subsidy is available and 35% for pre-65 where the subsidy is not available.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
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**NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)**

- The salary scale was determined based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The long-term inflation assumption has been chosen based on a review of historical changes in the Consumer Price Index. Annual salary increases and inflation rates used were:

<u>Service</u>	<u>General Inflation</u>	<u>Salary Increases</u>
All	2.5%	3.2%

Sensitivity Analysis

The following represents the City's total OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease 1.0%</u>	<u>Current Discount Rate 2.0%</u>	<u>1% Increase 3.0%</u>
Total OPEB Liability	\$ 1,504,296	\$ 1,405,934	\$ 1,314,125

The following represents the City's total OPEB liability, calculated using current medical trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates are one percentage point lower or one percentage point higher than the current trend rates:

	<u>1% Decrease 5.25%</u>	<u>Current Discount Rate 6.25%</u>	<u>1% Increase 7.25%</u>
Total OPEB Liability	\$ 1,281,121	\$ 1,405,934	\$ 1,552,117

**NOTE 19 - SIGNIFICANT COMMITMENTS**

The City has long-term contracts for the purchase of electrical energy with the Western Area Power Administration and the Missouri Basin Municipal Power Agency. These contracts expire on December 31, 2050 and January 1, 2030, respectively. According to the terms of the contracts, the City is obligated to purchase all of its electrical energy from these two sources. No minimum purchase requirements have been established in the contracts.

During the year ended December 31, 2021, the board approved a lease-to-own agreement with Midwest Turf & Irrigation for equipment at the Golf Course. The lease term is 4 years, with annual payments of \$84,283. As of year-end, not all equipment has been received and payments have not started.



**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 20 - EXPOSITION BUILDING**

The City participates in a joint venture, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, and Stanley and Hughes Counties for the construction and operation of a multiple-use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during the winter months will be for hockey and multiple uses during other times of the year. Construction was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Stanley County	15%
Hughes County	35%

The City's interest in the facility as of December 31, 2022 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent. Financial information for the joint operation is available from the Hughes County Finance Office.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. Each member contributes to the annual operating budget of the Exposition Building. At December 31, 2022, this joint operation had total cash of \$85,876, of which the City's deposits were 35%, or \$30,057.

**NOTE 21 - PLEDGED REVENUES**

The City has pledged future electric customers' revenues, net of specified operating expenses, to repay \$15,758,520 in electric fund revenue bonds issued in 2017 and 2019. Proceeds from the bonds provided financing for the construction of electrical infrastructure. The bonds are payable solely from electric customer net revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 24% of net revenues. The total principal and interest remaining to be paid on the bonds is \$19,963,561. Principal and interest paid for the current year and total customer net revenue were \$1,244,257 and \$2,731,719, respectively.

The City has pledged future sewer customers' revenues, net of specified operating expenses, to repay \$3,046,569 in waste water fund revenue bonds issued in 2010 and 2017. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer infrastructure and for repairs to the waste water system, not all funds have been drawn down. The bonds are payable solely from waste water customer net revenues and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 11% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,791,637. Principal and interest paid for the current year and total customer net revenue were \$241,809 and \$2,147,463, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$34,518,255 in water fund revenue bonds issued in 2022. Proceeds from the bonds provided financing for the construction of a new water treatment plant. The bonds are payable solely from water customer net revenues and are payable through 2052. Annual principal and interest payments on the bonds are expected to require less than 53% of net revenues. The total principal and interest remaining to be paid on the bonds is \$49,665,518. Principal and interest paid for the current year and total customer net revenue were \$1,266,206 and \$2,374,452, respectively.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 22 - SIGNIFICANT CONTINGENCIES - LITIGATION**

The City at times may be a defendant in lawsuits arising principally in the normal course of operations. The City has retained legal counsel for suits as they arise and works with insurance carriers on the defense of claims as applicable. As of December 31, 2022, there were no pending claims against the City.

**NOTE 23 - TAX ABATEMENTS**

The City has three active TIF districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the City Commission, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$165,860 were received by the City and paid to project sponsors during 2022.

The City operates a Sales Tax Abatement program. The program allows for qualifying applicants to be rebated 1.25% of the sales tax generated from local retail sales for a predetermined amount of funding or period of time, whichever comes first. The agreements generally cover a term of 5 years or \$150,000, whichever comes first. The agreements require sales taxes related to a specific type of retail operation to increase by \$2 million from the baseline revenues. The City will reimburse 1.25% of the sales above the baseline plus the \$2 million.

The City entered into a sales tax abatement agreement during the year ended December 31, 2021 for a local business. The first payment of this rebate would have been in November of 2022, though sales were not above the required threshold for the applicable time period. No accrual has been made at this time as a payment is not likely in 2023.

Subsequent to year-end, the City entered into a sales tax abatement agreement for a local business. The project related to this abatement is expected to be completed in 2024. The agreement starts the first full month of operations and lasts for 5 years or until \$200,000 of rebates have been paid.

**City of Pierre, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2022**

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**NOTE 24 - ADOPTION OF NEW STANDARD**

As of January 1, 2022, the City adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the inflows of resources based on payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	<u>Business Type Activities</u>	<u>Airport Fund</u>
<b>NET POSITION - BEGINNING</b>	\$ 106,994,400	\$ 30,891,064
Restatement - Adoption of GASB 87	<u>(48,657)</u>	<u>(48,657)</u>
<b>NET POSITION - BEGINNING, RESTATED</b>	<u>\$ 106,945,743</u>	<u>\$ 30,842,407</u>

**NOTE 25 - EMERGING ACCOUNTING STANDARDS**

The Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset - an intangible asset and a corresponding liability. This statement will be implemented by the City in the year ended December 31, 2023.

Management has not yet determined the effect this accounting standard will have on the City's financial statements.

**NOTE 26 - 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.

## REQUIRED SUPPLEMENTARY INFORMATION

**City of Pierre, South Dakota**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
General Property Taxes	\$ 3,464,324	\$ 3,464,324	\$ 3,409,772	\$ (54,552)
General Sales and Use Taxes	4,380,000	4,380,000	4,993,649	613,649
Penalties and Interest on Delinquent Taxes	9,000	9,000	8,955	(45)
Licenses and Permits	389,116	389,116	419,549	30,433
Intergovernmental Revenue:				
Federal Grants	225,000	225,000	81,648	(143,352)
State Grants	368,000	368,000	75,137	(292,863)
State Shared Revenue:				
Bank Franchise	150,000	150,000	157,127	7,127
Liquor Tax Reversion	90,000	90,000	98,739	8,739
Motor Vehicle Licenses (5%)	105,000	105,000	109,583	4,583
Local Government Highway and Bridge Fund	320,000	320,000	344,624	24,624
County Shared Receipts:				
County Road Tax (25%)	6,000	6,000	12,008	6,008
Other	12,000	12,000	-	(12,000)
Charges for Goods and Services:				
General Government	2,004,332	2,004,332	2,028,807	24,475
Public Safety	11,200	11,200	34,455	23,255
Health	12,000	12,000	7,180	(4,820)
Culture and Recreation	662,100	662,100	718,381	56,281
Cemetery	39,000	39,000	41,645	2,645
Fines and Forfeits:				
Court Fines and Costs	5,000	5,000	1,573	(3,427)
Parking Meter Fines	4,700	4,700	6,155	1,455
Miscellaneous Revenue:				
Investment Earnings	-	-	39,008	39,008
Rentals	41,235	41,235	53,657	12,422
Contributions From Private Sources	126,200	153,013	56,967	(96,046)
Other	129,000	129,000	256,032	127,032
<b>TOTAL REVENUES</b>	<u>12,553,207</u>	<u>12,580,020</u>	<u>12,954,651</u>	<u>374,631</u>

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

**City of Pierre, South Dakota**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**(Continued)**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>EXPENDITURES</b>				
General Government:				
Legislative	\$ 105,625	\$ 105,625	\$ 115,821	\$ (10,196)
Elections	10,600	2,400	2,333	67
Financial Administration	2,573,146	2,599,646	2,570,646	29,000
Other	1,977,926	1,991,626	1,967,678	23,948
Public Safety:				
Police	2,909,884	2,909,884	2,819,147	90,737
Fire	545,935	555,935	503,143	52,792
Public Works:				
Highways and Streets	2,344,888	3,954,738	3,222,711	732,027
Cemeteries	367,257	367,257	310,331	56,926
Transit	125,000	125,000	125,000	-
Health and Welfare:				
Health	19,300	21,800	21,741	59
Other	69,878	69,878	69,878	-
Culture and Recreation:				
Recreation	432,181	439,421	408,196	31,225
Parks	2,717,640	2,509,611	2,382,033	127,578
Libraries	803,328	821,429	821,428	1
Museum	50,075	50,075	20,073	30,002
Conservation and Development:				
Economic Development	1,017,765	999,664	971,684	27,980
<b>TOTAL EXPENDITURES</b>	<u>16,070,428</u>	<u>17,523,989</u>	<u>16,331,843</u>	<u>1,192,146</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,517,221)</u>	<u>(4,943,969)</u>	<u>(3,377,192)</u>	<u>1,566,777</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,950,196	2,950,196	3,200,042	249,846
Transfers Out	(1,366,069)	(1,376,069)	(1,314,530)	61,539
Contingency	(250,000)	(250,000)	-	250,000
Sale of City Property	79,000	79,000	193,112	114,112
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,413,127</u>	<u>1,403,127</u>	<u>2,078,624</u>	<u>675,497</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,104,094)</u>	<u>(3,540,842)</u>	<u>(1,298,568)</u>	<u>2,242,274</u>
<b>FUND BALANCE - BEGINNING</b>	<u>16,033,616</u>	<u>16,033,616</u>	<u>16,033,616</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 13,929,522</u>	<u>\$ 12,492,774</u>	<u>\$ 14,735,048</u>	<u>\$ 2,242,274</u>

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

**City of Pierre, South Dakota**  
**Budgetary Comparison Schedule - Special Sales Tax Fund -**  
**Budgetary Basis**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
General Sales and Use Taxes	\$ 540,000	\$ 540,000	\$ 632,104	\$ 92,104
Investment Earnings	<u>1,000</u>	<u>1,000</u>	<u>7,045</u>	<u>6,045</u>
<b>TOTAL REVENUES</b>	<u>541,000</u>	<u>541,000</u>	<u>639,149</u>	<u>98,149</u>
<b>EXPENDITURES</b>				
Conservation and Development:				
Economic Development	-	176,100	176,024	76
Debt Service	<u>392,210</u>	<u>392,210</u>	<u>380,993</u>	<u>11,217</u>
<b>TOTAL EXPENDITURES</b>	<u>392,210</u>	<u>568,310</u>	<u>557,017</u>	<u>11,293</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>148,790</u>	<u>(27,310)</u>	<u>82,132</u>	<u>109,442</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of City Property	-	176,100	820,000	643,900
Transfers In	-	83,000	83,852	852
Transfers Out	<u>(148,790)</u>	<u>(148,790)</u>	<u>(303,936)</u>	<u>(155,146)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(148,790)</u>	<u>110,310</u>	<u>599,916</u>	<u>489,606</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	83,000	682,048	599,048
<b>FUND BALANCE - BEGINNING</b>	<u>802,326</u>	<u>802,326</u>	<u>802,326</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 802,326</u>	<u>\$ 885,326</u>	<u>\$ 1,484,374</u>	<u>\$ 599,048</u>

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

**City of Pierre, South Dakota**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the Years Ended December 31**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 83,740	\$ 81,301	\$ 85,201	\$ 71,176	\$ 65,504
Interest on Total OPEB Liability	28,255	57,852	70,299	62,770	60,959
Assumption Changes	-	(150,813)	106,357	54,613	-
Differences Between Expected and Actual Experience	-	(475,351)	-	(158,721)	-
Benefit Payments	<u>(69,900)</u>	<u>(124,585)</u>	<u>(101,459)</u>	<u>(90,754)</u>	<u>(63,963)</u>
Net Change in Total OPEB Liability	42,095	(611,596)	160,398	(60,916)	62,500
Net OPEB Obligation - Beginning	<u>1,363,839</u>	<u>1,975,435</u>	<u>1,815,037</u>	<u>1,875,953</u>	<u>1,813,453</u>
Net OPEB Obligation - Ending	<u>\$ 1,405,934</u>	<u>\$ 1,363,839</u>	<u>\$ 1,975,435</u>	<u>\$ 1,815,037</u>	<u>\$ 1,875,953</u>
City's Covered-employee Payroll	\$ 8,421,716	\$ 8,176,423	\$ 8,139,731	\$ 7,902,651	\$ 8,060,063
Total OPEB Liability as a Percentage of Covered-employee Payroll	16.69%	16.68%	24.27%	22.97%	23.27%

\*Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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



**City of Pierre, South Dakota**  
**Schedule of the City's Proportionate Share**  
**of the Net Pension Liability (Asset)**  
**South Dakota Retirement System**

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Fiscal Year Ending*	City's Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered- employee Payroll (b)	City's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/2022	0.401531%	\$ (37,945)	\$ 9,024,293	-0.42%	100.10%
12/31/2021	0.418920%	(3,208,211)	8,946,150	-35.86%	105.52%
12/31/2020	0.415987%	(18,066)	8,608,423	-0.21%	100.04%
12/31/2019	0.421337%	(44,651)	8,444,228	-0.53%	100.09%
12/31/2018	0.431913%	(10,073)	8,472,104	-0.12%	100.02%
12/31/2017	0.433107%	(39,305)	8,290,255	-0.47%	100.10%
12/31/2016	0.456733%	1,542,797	8,170,878	18.88%	96.89%
12/31/2015	0.454908%	(1,929,396)	7,814,078	-24.69%	104.10%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**City of Pierre, South Dakota**  
**Schedule of Pension Contributions**  
**South Dakota Retirement System**

Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions in (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Employee Payroll (b/c)
12/31/2022	\$ 609,387	\$ 609,387	\$ -	\$ 9,574,707	6.36%
12/31/2021	564,483	564,483	-	8,861,076	6.37%
12/31/2020	559,013	559,013	-	8,782,302	6.37%
12/31/2019	547,289	547,289	-	8,600,267	6.36%
12/31/2018	540,673	540,673	-	8,506,337	6.36%
12/31/2017	529,917	529,917	-	8,318,683	6.37%
12/31/2016	528,468	528,468	-	8,295,292	6.37%
12/31/2015	508,955	508,955	-	7,988,543	6.37%

\*Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

**City of Pierre, South Dakota**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. At the first regular Council 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% 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 to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a cash basis and do not reflect accruals for receivables of payables.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

The City is reporting financial position, results of operations, and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual are presented on the cash basis to provide meaningful comparison of actual results with the budget. The major differences between the cash basis and the GAAP basis are that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes and intergovernmental expenditures are eliminated for GAAP purposes but are included on the budgetary basis. Cash basis only reports revenues received and expenses disbursed. Also, certain grants that the State of South Dakota administers on the City's behalf whereby the State pays vendors directly are excluded from these schedules as the City does not budget for those expenses as they do not pay the vendors directly in these instances. Lastly, the City does not budget for the issuance of new long-term debt or the repayment of existing long-term debt as part of a refunding transaction.

**NOTE 3 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**

Changes in Benefit Terms:

No significant changes.

Changes in Actuarial Assumptions:

No significant changes.

**City of Pierre, South Dakota**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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**NOTE 4 - SCHEDULE OF PENSION CONTRIBUTIONS**

Changes from Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

Benefit Provision Changes:

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Changes in Actuarial Assumptions:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) 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%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

**City of Pierre, South Dakota**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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**NOTE 4 - SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)**

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after a recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry-age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

## SUPPLEMENTARY INFORMATION

**City of Pierre, South Dakota**  
**Combining Balance Sheet- Nonmajor Governmental Funds**  
**December 31, 2022**

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 674,064	\$ 596,062	\$ 61,339	\$ 31,890	\$ 17,770	\$ 8,663	\$ -	\$ 876,503	\$ -	\$ 2,266,291
Accounts Receivable, Net	13,089	10,441	-	-	-	11,831	-	5,786	-	41,147
Unbilled Accounts Receivable	-	-	-	-	-	-	-	56,410	-	56,410
Due From Other Governments	-	102,859	-	-	-	-	-	-	-	102,859
Inventory of Supplies	-	-	-	-	-	-	-	107,306	-	107,306
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	54,464	-	-	54,464
<b>TOTAL ASSETS</b>	<u>\$ 687,153</u>	<u>\$ 709,362</u>	<u>\$ 61,339</u>	<u>\$ 31,890</u>	<u>\$ 17,770</u>	<u>\$ 20,494</u>	<u>\$ 54,464</u>	<u>\$ 1,046,005</u>	<u>\$ -</u>	<u>\$ 2,628,477</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable	\$ 21,478	\$ 2,930	\$ -	\$ 23	\$ -	\$ 2,027	\$ -	\$ 13,942	\$ -	\$ 40,400
Payroll Liabilities	-	3,538	-	-	-	-	-	-	-	3,538
Due To Other Funds	-	-	-	-	-	-	-	6,428	-	6,428
Revenue Collected in Advance	-	-	-	-	-	-	-	5,596	-	5,596
Total Liabilities	<u>21,478</u>	<u>6,468</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>2,027</u>	<u>-</u>	<u>25,966</u>	<u>-</u>	<u>55,962</u>
Deferred Inflows of Resources:										
Unavailable Revenues	-	93,494	-	-	-	-	-	16,684	-	110,178
Fund Balances:										
Nonspendable	-	-	-	-	-	-	50,000	107,306	-	157,306
Restricted	-	609,400	61,339	-	-	-	4,464	896,049	-	1,571,252
Committed	<u>665,675</u>	<u>-</u>	<u>-</u>	<u>31,867</u>	<u>17,770</u>	<u>18,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,779</u>
Total Fund Balances	<u>665,675</u>	<u>609,400</u>	<u>61,339</u>	<u>31,867</u>	<u>17,770</u>	<u>18,467</u>	<u>54,464</u>	<u>1,003,355</u>	<u>-</u>	<u>2,462,337</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 687,153</u>	<u>\$ 709,362</u>	<u>\$ 61,339</u>	<u>\$ 31,890</u>	<u>\$ 17,770</u>	<u>\$ 20,494</u>	<u>\$ 54,464</u>	<u>\$ 1,046,005</u>	<u>\$ -</u>	<u>\$ 2,628,477</u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2022**

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>										
Taxes:										
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,712	\$ 249,712
General Sales and Use Taxes	214,767	-	-	-	-	-	-	-	-	214,767
Intergovernmental Revenue:										
State Grants	-	500,904	-	-	-	-	-	-	-	500,904
State Shared Revenues:										
911 Remittances	-	227,100	-	-	-	-	-	-	-	227,100
Charges for Goods and Services:										
General Government	-	-	-	-	-	159,640	-	-	-	159,640
Public Safety	-	224,550	-	18,000	-	-	-	-	-	242,550
Highways and Streets	-	-	-	-	-	-	-	479,644	-	479,644
Culture and Recreation	-	-	2,129	-	-	-	-	-	-	2,129
Fines and Forfeits:										
Library	-	-	618	-	-	-	-	-	-	618
Miscellaneous Revenues:										
Investment Earnings	3,164	2,675	366	138	-	235	-	4,043	-	10,621
Contributions From Private										
Sources	-	-	6,152	-	3,225	132	-	-	-	9,509
Other	-	4,443	-	-	-	-	-	-	-	4,443
<b>TOTAL REVENUES</b>	<u>217,931</u>	<u>959,672</u>	<u>9,265</u>	<u>18,138</u>	<u>3,225</u>	<u>160,007</u>	<u>-</u>	<u>483,687</u>	<u>249,712</u>	<u>2,101,637</u>

See independent auditor's report.



**City of Pierre, South Dakota**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Nonmajor Governmental Funds (Continued)**  
**For the Year Ended December 31, 2022**

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
<b>EXPENDITURES</b>										
General Government:										
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,936	\$ -	\$ -	\$ -	\$ 132,936
Public Safety:										
Police	-	1,108,101	-	2,864	1,545	-	-	-	-	1,112,510
Public Works:										
Highways and Streets	-	-	-	-	-	-	-	40,074	-	40,074
Culture and Recreation:										
Libraries	-	-	6,745	-	-	-	-	-	-	6,745
Conservation and Development:										
Economic Development	106,341	-	-	-	-	-	-	-	-	106,341
Debt Service	-	-	-	-	-	-	-	-	165,860	165,860
Intergovernmental										
Capital Outlay	-	134,513	-	9,082	-	-	-	128,127	-	271,722
<b>TOTAL EXPENDITURES</b>	<u>106,341</u>	<u>1,242,614</u>	<u>6,745</u>	<u>11,946</u>	<u>1,545</u>	<u>132,936</u>	<u>-</u>	<u>168,201</u>	<u>165,860</u>	<u>1,836,188</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>111,590</u>	<u>(282,942)</u>	<u>2,520</u>	<u>6,192</u>	<u>1,680</u>	<u>27,071</u>	<u>-</u>	<u>315,486</u>	<u>83,852</u>	<u>265,449</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In (Out)	(10,000)	201,970	-	-	-	(82,106)	-	-	(83,852)	26,012
Insurance Proceeds	-	36,870	-	-	-	-	-	-	-	36,870
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>238,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,106)</u>	<u>-</u>	<u>-</u>	<u>(83,852)</u>	<u>62,882</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>101,590</u>	<u>(44,102)</u>	<u>2,520</u>	<u>6,192</u>	<u>1,680</u>	<u>(55,035)</u>	<u>-</u>	<u>315,486</u>	<u>-</u>	<u>328,331</u>
<b>FUND BALANCE - BEGINNING</b>	<u>564,085</u>	<u>653,502</u>	<u>58,819</u>	<u>25,675</u>	<u>16,090</u>	<u>73,502</u>	<u>54,464</u>	<u>687,869</u>	<u>-</u>	<u>2,134,006</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 665,675</u>	<u>\$ 609,400</u>	<u>\$ 61,339</u>	<u>\$ 31,867</u>	<u>\$ 17,770</u>	<u>\$ 18,467</u>	<u>\$ 54,464</u>	<u>\$ 1,003,355</u>	<u>\$ -</u>	<u>\$ 2,462,337</u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Net Position - Nonmajor Enterprise Funds**  
**December 31, 2022**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Garbage Fund	Landfill Fund	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Accounts Receivable, Net	-	98,377	98,377
Unbilled Accounts Receivable	-	18,988	18,988
Inventory of Supplies	9,246	93,036	102,282
Total Current Assets	9,246	210,401	219,647
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	1,274,144	1,274,144
Net Pension Assets	234	2,183	2,417
Capital Assets:			
Land	-	4,041,171	4,041,171
Buildings and Infrastructure	-	3,612,328	3,612,328
Machinery and Equipment	123,940	4,297,322	4,421,262
Less: Accumulated Depreciation	(123,940)	(3,677,989)	(3,801,929)
Total Noncurrent Assets	234	9,549,159	9,549,393
<b>TOTAL ASSETS</b>	9,480	9,759,560	9,769,040
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related Deferred Outflows	21,475	199,950	221,425
OPEB-related Deferred Outflows	855	7,941	8,796
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	22,330	207,891	230,221

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Net Position -**  
**Nonmajor Enterprise Funds (Continued)**  
**December 31, 2022**

	<u>Enterprise Funds</u>		Total Nonmajor Enterprise Funds
	<u>Garbage Fund</u>	<u>Landfill Fund</u>	
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	909	37,003	37,912
Accrued Wages Payable	247	2,250	2,497
Current Portion of Leave	771	9,650	10,421
Due to Other Funds	-	195,473	195,473
Revenue Collected in Advance	-	3,274	3,274
Total Current Liabilities	<u>1,927</u>	<u>247,650</u>	<u>249,577</u>
Noncurrent Liabilities:			
Accrued Leave Payable	9,504	119,016	128,520
Accrued Landfill Closure and Post-closure Costs	-	752,481	752,481
Net OPEB Liability	<u>8,914</u>	<u>82,493</u>	<u>91,407</u>
Total Noncurrent Liabilities	<u>18,418</u>	<u>953,990</u>	<u>972,408</u>
<b>TOTAL LIABILITIES</b>	<u>20,345</u>	<u>1,201,640</u>	<u>1,221,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-related Deferred Inflows	13,591	126,538	140,129
OPEB-related Deferred Inflows	<u>2,735</u>	<u>28,337</u>	<u>31,072</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>16,326</u>	<u>154,875</u>	<u>171,201</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	8,272,832	8,272,832
Restricted for:			
SDRS Pension Purposes	8,118	75,595	83,713
Unrestricted	<u>(12,979)</u>	<u>262,509</u>	<u>249,530</u>
<b>TOTAL NET POSITION</b>	<u>\$ (4,861)</u>	<u>\$ 8,610,936</u>	<u>\$ 8,606,075</u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position - Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2022**

	Enterprise Funds		Total Nonmajor Enterprise Funds
	Garbage Fund	Landfill Fund	
<b>OPERATING REVENUE</b>			
Charges for Goods and Services	\$ 76,046	\$ 1,649,509	\$ 1,725,555
Miscellaneous	148	1,742	1,890
Total Operating Revenue	76,194	1,651,251	1,727,445
<b>OPERATING EXPENSES</b>			
Personal Services	99,467	789,386	888,853
Other Current Expenses	51,489	609,986	661,475
Materials (Cost of Goods Sold)	3,869	137,505	141,374
Depreciation	-	365,200	365,200
Total Operating Expenses	154,825	1,902,077	2,056,902
<b>OPERATING LOSS</b>	(78,631)	(250,826)	(329,457)
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Capital Grants	-	172,000	172,000
Investment Earnings	-	23,160	23,160
Rental Revenue	-	100	100
Loss on Disposition of Assets	-	(59,006)	(59,006)
Net Nonoperating Revenue (Expense)	-	136,254	136,254
<b>NET POSITION BEFORE TRANSFERS</b>	(78,631)	(114,572)	(193,203)
Transfers In	79,953	1,178,162	1,258,115
<b>CHANGE IN NET POSITION</b>	1,322	1,063,590	1,064,912
<b>NET POSITION - BEGINNING</b>	(6,183)	7,547,346	7,541,163
<b>NET POSITION - ENDING</b>	\$ (4,861)	\$ 8,610,936	\$ 8,606,075

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Cash Flows - Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2022**

	<u>Enterprise Funds</u>		Total
	<u>Garbage Fund</u>	<u>Landfill Fund</u>	<u>Nonmajor Enterprise Funds</u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 76,194	\$ 1,657,371	\$ 1,733,565
Payments to Suppliers	(52,255)	(775,956)	(828,211)
Payments to Employees	<u>(108,476)</u>	<u>(837,889)</u>	<u>(946,365)</u>
Net Cash Provided (Used) by Operating Activities	<u>(84,537)</u>	<u>43,526</u>	<u>(41,011)</u>
<b>CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>			
Due to Other Funds	1,150	(89,489)	(88,339)
Transfers from Other Funds	<u>78,803</u>	<u>1,178,162</u>	<u>1,256,965</u>
Net Cash Provided by Noncapital Operating Activities	<u>79,953</u>	<u>1,088,673</u>	<u>1,168,626</u>
<b>CASH FLOWS FROM (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Grants	-	172,000	172,000
Other Receipts	-	100	100
Proceeds from Sale of Capital Assets	-	22,767	22,767
Purchase of Capital Assets	<u>-</u>	<u>(1,320,226)</u>	<u>(1,320,226)</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(1,125,359)</u>	<u>(1,125,359)</u>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>			
Cash Invested in Reserve Account	-	(30,000)	(30,000)
Cash Received for Interest	<u>-</u>	<u>23,160</u>	<u>23,160</u>
Net Used by Investing Activities	<u>-</u>	<u>(6,840)</u>	<u>(6,840)</u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Combining Statement of Cash Flows -**  
**Nonmajor Enterprise Funds (Continued)**  
**For the Year Ended December 31, 2022**

	<u>Enterprise Funds</u>		Total Nonmajor Enterprise Funds
	<u>Garbage Fund</u>	<u>Landfill Fund</u>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(4,584)	-	(4,584)
<b>BALANCE - BEGINNING</b>	<u>4,584</u>	<u>-</u>	<u>4,584</u>
<b>BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (78,631)	\$ (250,826)	\$ (329,457)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	365,200	365,200
Change in Assets and Liabilities:			
Accounts Receivables/Unbilled Receivables	-	3,829	3,829
Inventories	2,942	(25,601)	(22,659)
Pension-related Deferred Outflows	12,646	15,138	27,784
OPEB-related Deferred Outflows	138	1,281	1,419
Accounts and Other Payables	161	(2,863)	(2,702)
Accrued Wages Payable	15	(471)	(456)
Revenue Collected in Advance	-	2,291	2,291
Accrued Leave Payable	(17,806)	(12,089)	(29,895)
Pension Related Deferred Inflows	(22,085)	(232,111)	(254,196)
OPEB-related Deferred Inflows	(829)	(7,677)	(8,506)
OPEB Liability	657	(693)	(36)
Pension-related Asset/Liability	<u>18,255</u>	<u>188,118</u>	<u>206,373</u>
<b>NET CASH FROM (USED BY) OPERATING ACTIVITIES</b>	<u>\$ (84,537)</u>	<u>\$ 43,526</u>	<u>\$ (41,011)</u>

**City of Pierre, South Dakota**  
**Statement of Cash Flows - Discretely Presented Component Unit**  
**For the Year Ended June 30, 2022**

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	<u>Housing and Redevelopment Commission</u>
<b>OPERATING ACTIVITIES</b>	
Receipts from Tenant Payments	\$ 221,784
Receipts from Tenants Through Escrow	(650)
Payments to Employees	(211,171)
Payments to Others for Goods and Services	(266,565)
Housing Assistance Payments	<u>(691,368)</u>
Net Cash Used for Operating Activities	<u>(947,970)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Grants Received	1,022,590
Other Revenue Received	<u>4,834</u>
Net Cash from Noncapital Financing Activities	<u>1,027,424</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants Received	67,021
Sale of Capital Assets	413
Acquisition of Capital Assets	<u>(140,472)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(73,038)</u>
<b>INVESTING ACTIVITIES</b>	
Interest Income	<u>2,871</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	9,287
<b>BALANCE - BEGINNING</b>	<u>668,486</u>
<b>BALANCE - ENDING</b>	<u><u>\$ 677,773</u></u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Statement of Cash Flows - Discretely Presented Component Unit (Continued)**  
**For the Year Ended June 30, 2022**

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	Housing and Redevelopment <u>Commission</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Operating Loss	\$ (1,004,594)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense	48,214
Accounts Receivable - Tenants	984
Prepaid Expenses	(4,188)
Inventories	501
Pension-related Assets	(12,446)
Accounts Payable - Vendors	(2,395)
Accounts Payable - Other Government	1,613
Accrued Expenses	643
Accrued Compensated Absences	(1,278)
Unearned Revenue	(6,194)
Other Current Liabilities	31,820
Tenant Security Deposits	<u>(650)</u>
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b><u>\$ (947,970)</u></b>

See independent auditor's report.



**City of Pierre, South Dakota**  
**Schedule of Expenditures of Passenger Facility Charges**  
**For the Year Ended December 31, 2022**

	Net Collected
First Quarter 2022	\$ 15,753
Second Quarter 2022	21,225
Third Quarter 2022	17,193
Fourth Quarter 2022	<u>15,171</u>
Total PFC Collections for 2022	69,342
Total PFC Collections for 2021	66,640
Total PFC Collections for 2020	45,098
Total PFC Collections for 2019	58,458
Total PFC Collections for 2018	34,691
Total PFC Collections for 2017	49,722
Total PFC Collections for 2016	23,858
Total PFC Collections for 2015	28,799
Total PFC Collections for 2014	38,605
Total PFC Collections for 2013	59,251
Total PFC Collections for 2012	50,094
Total PFC Collections for 2011	64,728
Total PFC Collections for 2010	59,124
Total PFC Collections for 2009	43,809
Total PFC Collections for 2008	53,314
Total PFC Collections for 2007	46,383
Total PFC Collections for 2006	57,317
Total PFC Collections for 2005	67,975
Total PFC Collections for 2004	72,726
Total PFC Collections for 2003	<u>51,697</u>
Total PFC Collections for 2003 - 2022	<u>\$ 1,041,631</u>
Total Allowable PFC	\$ 2,070,789
Net Collections to Date	<u>(1,041,631)</u>
Remaining Amount to Collect	<u>\$ 1,029,158</u>

See independent auditor's report.

## SINGLE AUDIT INFORMATION

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*

City Commission  
City of Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of City of Pierre, South Dakota (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2023. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. 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.

## **Report on Compliance and Other Matters**

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

### **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*

Casey Peterson, LTD

Rapid City, South Dakota

September 26, 2023

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

City Commission  
City of Pierre, South Dakota

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

*Opinion on Each Major Federal Program*

We have audited the City of Pierre, South Dakota's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre, which expended \$1,114,895 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2022. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the Commission engaged other auditors to perform an audit of compliance.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

*Basis for Opinion on Each Major Federal Award Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. 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*

Casey Peterson, LTD

Rapid City, South Dakota

September 26, 2023

**City of Pierre, South Dakota**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2022**

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**SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of the City of Pierre, South Dakota.
- b. No material weaknesses or significant deficiencies related to the audit of the financial statements were reported in the 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*.
- c. No instances of noncompliance material related to the audit of the financial statements of the City of Pierre, South Dakota that are required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
- d. No instances of noncompliance, material weaknesses, or significant deficiencies in internal control over the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by Uniform Guidance.
- e. The Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by Uniform Guidance expressed an unmodified opinion on the major federal programs.
- f. Audit findings are required to be reported in accordance with 2 CFR section 200.516(a.). There were no findings to report for the current year in this schedule.
- g. The federal award tested as a major program was:
  - Capitalization Grants for Drinking Water State Revolving Fund, Assistance Listing #66.468
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$907,394.
- i. The City of Pierre, South Dakota did not qualify as a low-risk auditee.

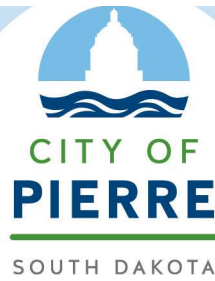
**FINDINGS - FINANCIAL STATEMENTS AUDIT**

There were no findings related to the financial statement audit.

**FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT**

There were no findings related to the audit of major federal award programs.





## **PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

There were no prior audit findings.

**City of Pierre, South Dakota**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2022**

Assistance Listing	Cluster/Program Name	Pass-through Entity	Pass-through Entity Identifying Number	Amount
<b><u>Department of Transportation</u></b>				
20 . 106	Airport Improvement Program	N/A	3-46-0044-43,44,46,47	\$556,099
COVID-19 20 . 106	Airport Improvement Program CRRSSA	N/A	3-46-044-45,46	877,908
	Total Airport Improvement Program	N/A		<u>1,434,007</u>
<b><u>Highway Safety Cluster:</u></b>				
20 . 616	State and Community Highway Safety	SD Dept. of Public Safety	N/A	<u>1,648</u>
	<b>Total Highway Safety Cluster</b>			<u>1,648</u>
	<b>Total Department of Transportation</b>			<u>1,435,655</u>
<b><u>Environmental Protection Agency</u></b>				
66 . 468	Capitalization Grants for Drinking Water State Revolving Fund (Note 4)	SD Dept of Agriculture and Natural Resources	N/A	<u>28,780,843</u>
<b><u>U.S. General Services Administration</u></b>				
39 . 003	Donation of Federal Surplus Personal Property (Note 5)	SD Federal Property Agency	N/A	<u>8,918</u>
<b><u>Department of the Interior</u></b>				
15 . 904	Historic Preservation Fund Grants-in-aid	SD Department of Education	2021G-818	<u>18,219</u>
<b><u>National Foundation on the Art and the Humanities</u></b>				
45 . 310	LSTA ARPA State Grants	SD Department of Education	2021G-836	<u>2,820</u>
	<b>Total Expenditures of Federal Awards</b>			<u>\$ 30,246,455</u>

See independent auditor's report.

**City of Pierre, South Dakota**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended December 31, 2022**

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NOTE 1: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Pierre and is on the accrual basis of accounting. The information in this schedule is presented in accordance with the Uniform Guidance. The City of Pierre received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient, if any, is treated as an expenditure when it is paid to the subrecipient. During the year ended December 31, 2021, there were no amounts passed through to subrecipients.

NOTE 2: The City of Pierre has not elected to use the 10% de minimis cost rate.

NOTE 3: Both governmental fund types and proprietary fund types account for the City of Pierre's federal grant activity. For governmental fund types, expenditures in the Schedule of Expenditures of Federal Awards are recognized on the modified accrual basis - when they become a demand on current available financial resources. For proprietary fund types, expenditures in the Schedule of Expenditures of Federal Awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E - Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Pierre's summary of significant accounting policies is presented in Note 1 in the City of Pierre's basic financial statements.

NOTE 4: Tested as major program.

See independent auditor's report.