

CITY OF PIERRE, SOUTH DAKOTA

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

DECEMBER 31, 2018

CASEY  PETERSON
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

City of Pierre, South Dakota
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December 31, 2018

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City Commission
City of Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Pierre, South Dakota's basic financial statements and have issued our report thereon dated September 30, 2019. Our report includes a reference to other auditors' testing who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on the City of Pierre, South Dakota'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 separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pierre, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance which is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

City of Pierre, South Dakota's Response to Findings

The City of Pierre, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Pierre, South Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pierre, South Dakota'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 City of Pierre, South Dakota'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.

A handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive, flowing style.

Casey Peterson, Ltd.

Rapid City, South Dakota
September 30, 2019

Independent Auditor's Report on Compliance for Each Major Program and 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

We have audited the City of Pierre, South Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on the City of Pierre, South Dakota's major federal program for the year ended December 31, 2018. The City of Pierre, South Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre (discretely presented component unit), which received \$751,202 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the component unit has a separately issued audit in accordance with the audit requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Pierre, South Dakota's major federal program based on our audit of the types of compliance requirements referred to above. 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pierre, South Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Pierre, South Dakota's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Pierre, South Dakota 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002. Our opinion on each major fund programs is not modified with respect to this matter.

The City of Pierre, South Dakota's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Pierre, South Dakota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Pierre, South Dakota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pierre, South Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pierre, South Dakota's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002, which we consider to be a material weakness.

The City of Pierre, South Dakota's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Pierre, South Dakota' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report 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 30, 2019

City of Pierre, South Dakota
Schedule of Findings and Questioned Costs
December 31, 2018

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. Two material weaknesses disclosed during the audit of financial statements are 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. An instance of noncompliance material to the financial statements of the City of Pierre, South Dakota which is required to be reported in accordance with *Governmental Auditing Standards* was noted during the audit.
- d. One material weakness in internal control over major federal award programs disclosed during the audit is reported on 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 program.
- f. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal award tested as a major program was:
 - Airport Improvement Programs, CFDA #20.106
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. City of Pierre, South Dakota did not qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Internal Control over Financial Reporting

2018-001 *Condition:* During the course of the audit, material audit adjustments to the City's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the City's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation and presentation of amounts and disclosures in the financial statements in accordance with GAAP.

Cause: The City does not have an adequate system of internal controls to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with GAAP.

Effect: The lack of internal control increases the risk of interim and annual financial statements being presented with material misstatements

Repeat of Prior Year Finding: This issue was reported as finding 2017-002 in the prior year.

Auditor's Recommendation: We recommend a more thorough review and reconciliation process be put into place for year-end balances to ensure proper accounting principles have been followed.

City of Pierre, South Dakota
Schedule of Findings and Questioned Costs
December 31, 2018

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Transportation Federal Aviation Administration
Airport Improvement Program CFDA #20.106

Material Weakness
Internal Control over Compliance
Noncompliance

2018-002 *Condition:* In our testing of procurement, suspension, and debarment controls, we identified the City does not have a written procurement policy that satisfies the requirements of 2 CFR sections 200.318 through 200.326. In addition, the City does not maintain accounting records to satisfy the requirements of 2 CFR section 200.302

Criteria: The Uniform Guidance and 2 CFR Sections 200.318 through 200.326 set forth the procurement standards non-federal entities other than states must follow when operating federal programs and the procurement procedures required depending on the amount of the transaction, including the requirement of having written policies and procedures. 2 CFR section 200.302 sets forth financial management requirements for non-federal entities, including being able to trace funds to a level of expenditures adequate to establish such funds have been used according to the federal statutes, regulation, and the terms and conditions of the federal awards. It also states the nonfederal entity must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received.

Cause: As of December 31, 2018, the City had not adopted written procurement policies and procedures. The City tracks federal expenses in departments. Grants are not specifically identified within the department making it difficult to reconcile reimbursement requests.

Effect: A lack of documented policies and procedures increase the overall risk that employees are not aware of the specific requirements with contracting and awarding contracts to lower tier entities. By not tracking expenses for federal awards separately from other expenses, the City is not in compliance with federal guidelines. The City also risks requesting improper amounts for reimbursement from the federal government. No questioned costs were identified.

Repeat of Prior Year Finding: This issue was reported as finding 2017-003 in the prior year.

Auditor's Recommendation: In March 2019, the City adopted procurement policies that will satisfy the requirements of the Uniform Guidance. The City should start using project codes in their accounting system to track federal awards and disbursements. The City should also use this information to verify amounts being requested for reimbursement match the accounting system.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.



PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Lack of Segregation of Duties and Proper Oversight of Payroll

2017-001 *Condition:* There is limited oversight throughout the payroll process. Human Resources is able to make changes to the payroll that are not reviewed. Also, the Finance Office does not review that the amounts approved are the actual amounts deposited through ACH, including withholdings, benefits, and wellness payments.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no individual handles a transaction from inception to its completion without proper review or approval from another individual. It would also include proper review and approval of withholdings, benefits and wellness payments.

Auditor's Recommendation: We recommend the process be reviewed and responsibilities shifted. The shifts should ensure proper review and approval is being performed. The City should look at changing the payroll cycle by moving the payroll dates to make the process less complicated and lower the risk of errors.

Current Status: This has not been reported as a finding in the current year. Management has implemented policies and procedures that have adequately provided oversight and has segregated the duties of individuals performing the payroll process.

Material Adjustments Proposed

2017-002 *Condition:* During the course of the audit, material audit adjustments to the City's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the City's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation and presentation of amounts and disclosures in the financial statements in accordance with GAAP.

Auditor's Recommendation: We recommend a more thorough review and reconciliation process be put into place for year-end balances to ensure proper accounting principles have been followed.

Current Status: This finding is reported as 2018-001 in the current year.



PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Transportation Federal Aviation Administration
Airport Improvement Program CFDA #20.106

Material Weakness
Internal Control over Compliance

2017-003 *Condition:* In our testing of procurement, suspension, and debarment controls, we identified the City does not have a written policy on procurement that satisfies the requirements of 2 CFR sections 200.318 through 200.326. In addition, the City does not have accounting records set up to satisfy the requirements of 2 CFR section 200.302

Criteria: The Uniform Guidance and 2 CFR Sections 200.318 through 200.326 set forth the procurement standards non-federal entities other than states must follow when operating federal programs and the procurement procedures required depending on the amount of the transaction, including the requirement of having written policies and procedures. 2 CFR section 200.302 sets forth financial management requirements for non-federal entities, including being able to trace funds to a level of expenditures adequate to establish such funds have been used according to the federal statutes, regulation, and the terms and conditions of the federal awards. It also states the nonfederal entity must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received.

Auditor's Recommendation: The City should continue working on getting written policies and procedures for the procurement process adopted. The City should start tracking expenses related to federal awards separately in their accounting system. The City should also use this information to verify amounts being requested for reimbursement match the accounting system.

Current Status: This is reported as 2018-002 in the current year.



CORRECTIVE ACTION PLAN (UNAUDITED)

City of Pierre, South Dakota respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Casey Peterson, Ltd.
909 Saint Joseph Street, Ste 101
Rapid City, SD 57701

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Internal Control over Financial Reporting

2018-001 *Condition:* During the course of the audit, material audit adjustments to the City's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the City's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation and presentation of amounts and disclosures in the financial statements in accordance with GAAP.

Auditor's Recommendation: We recommend a more thorough review and reconciliation process be put into place for year-end balances to ensure proper accounting principles have been followed.

Management's Response: The City has implemented a more thorough review and reconciliation process for year-end financial reporting.

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Transportation Federal Aviation Administration
Airport Improvement Program CFDA #20.106

Material Weakness

Internal Control over Compliance

Noncompliance

2018-002 *Condition:* In our testing of procurement, suspension, and debarment controls, we identified the City does not have a written procurement policy that satisfies the requirements of 2 CFR sections 200.318 through 200.326. In addition, the City does not maintain accounting records to satisfy the requirements of 2 CFR section 200.302



Criteria: The Uniform Guidance and 2 CFR Sections 200.318 through 200.326 set forth the procurement standards non-federal entities other than states must follow when operating federal programs and the procurement procedures required depending on the amount of the transaction, including the requirement of having written policies and procedures. 2 CFR section 200.302 sets forth financial management requirements for non-federal entities, including being able to trace funds to a level of expenditures adequate to establish such funds have been used according to the federal statutes, regulation, and the terms and conditions of the federal awards. It also states the nonfederal entity must identify, in its accounts, all federal awards received and expended and the federal programs under which they were received.

Repeat of Prior Year Finding: This issue was reported as finding 2017-003 in the prior year.

Auditor's Recommendation: In March 2019, the City adopted procurement policies that will satisfy the requirements of the Uniform Guidance. The City should start using project codes in their accounting system to track federal awards and disbursements. The City should also use this information to verify amounts being requested for reimbursement match the accounting system.

Management's Response: The City adopted a written Purchasing Policy in 2019 that complies with Federal Grant Purchasing requirements. The City has also implemented project tracking of federal expenditures to better account for these expenditures separately. This information will be used to verify the request for reimbursement for federal programs.

If there are any questions regarding this plan, please contact Twila Hight, Finance Officer, at (605) 773-7407.

Twila Hight, Finance Officer
City of Pierre, South Dakota

Independent Auditor's Report

City Commission
City of Pierre, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 reflect total assets and deferred outflows of \$1,088,285 as of June 30, 2018, net position of \$1,035,348 and total revenues of \$940,374 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 amount included for the Commission, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 of Pierre, South Dakota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Net Pension Liability (Asset) and Schedule of Pension Contributions, on pages 84 - 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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.

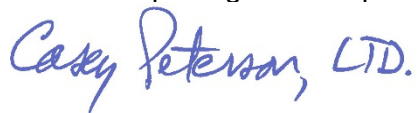
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pierre, South Dakota'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 by 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, Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 30, 2019 on our consideration of the City of Pierre, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Pierre, South Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pierre, South Dakota's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota

September 30, 2019

BASIC FINANCIAL STATEMENTS

City of Pierre, South Dakota
Statement of Net Position
December 31, 2018

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|--------------------|--|
| | Governmental Activities | Business-type Activities | Total | Housing and Redevelopment Commission |
| | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 5,628,239 | \$ 9,651,673 | \$ 15,279,912 | \$ 507,126 |
| Certificates of Deposit | 1,612,372 | - | 1,612,372 | - |
| Receivables | 1,673,836 | 3,436,423 | 5,110,259 | 10,078 |
| Internal Balances | (199,965) | 199,965 | - | - |
| Inventories | 211,411 | 1,237,786 | 1,449,197 | 5,531 |
| Other Assets | - | - | - | 30,973 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 55,352 | 9,023,135 | 9,078,487 | - |
| Public Assurance Deposits | 542,085 | - | 542,085 | - |
| Net Pension Asset | 7,317 | 2,756 | 10,073 | 619 |
| Capital Assets | | | | |
| Land and Construction in Progress | 15,230,269 | 5,374,237 | 20,604,506 | 80,645 |
| Other Capital Assets, Net of Depreciation | 48,602,090 | 88,754,925 | 137,357,015 | 387,284 |
| TOTAL ASSETS | <u>73,363,006</u> | <u>117,680,900</u> | <u>191,043,906</u> | <u>1,022,256</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension-related Deferred Outflows | <u>2,315,835</u> | <u>940,505</u> | <u>3,256,340</u> | <u>66,029</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>2,315,835</u> | <u>940,505</u> | <u>3,256,340</u> | <u>66,029</u> |
| LIABILITIES | | | | |
| Accounts Payable | 406,775 | 1,558,393 | 1,965,168 | 26,181 |
| Other Current Liabilities | 360,536 | 787,234 | 1,147,770 | 8,763 |
| Unearned Revenue | 114,616 | 39,447 | 154,063 | 1,579 |
| Noncurrent Liabilities: | | | | |
| Landfill Closure and Post-closure Costs | - | 717,969 | 717,969 | - |
| Due Within One Year | 778,353 | 1,077,010 | 1,855,363 | 3,117 |
| Due in More than One Year | 10,574,062 | 24,251,501 | 34,825,563 | 1,404 |
| TOTAL LIABILITIES | <u>12,234,342</u> | <u>28,431,554</u> | <u>40,665,896</u> | <u>41,044</u> |

The accompanying notes are an integral part of this statement.

| | Primary Government | | Total | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|--|
| | Governmental Activities | Business-type Activities | | Housing and Redevelopment Commission |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension-related Deferred Inflows | <u>554,043</u> | <u>214,794</u> | <u>768,837</u> | <u>11,893</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 54,576,705 | 69,665,496 | 124,242,201 | 467,929 |
| Restricted for: | | | | |
| SDRS Pension Purposes | 1,769,109 | 728,467 | 2,497,576 | 54,755 |
| Debt Service | - | 1,042,298 | 1,042,298 | - |
| Cemetery | 54,464 | - | 54,464 | - |
| Other Purposes: | | | | |
| Public Assurance Alliance | 542,085 | - | 542,085 | - |
| Special Sales Tax | 677,582 | - | 677,582 | - |
| Storm Drainage | 418,358 | - | 418,358 | - |
| Library | 83,564 | - | 83,564 | - |
| Surface Transportation Program | 4,873,005 | - | 4,873,005 | - |
| 911 Purposes | 362,364 | - | 362,364 | - |
| Tri-Centennial | 396 | - | 396 | - |
| Unrestricted | <u>(467,176)</u> | <u>18,538,796</u> | <u>18,071,620</u> | <u>512,664</u> |
| TOTAL NET POSITION | <u>\$ 62,890,456</u> | <u>\$ 89,975,057</u> | <u>\$ 152,865,513</u> | <u>\$ 1,035,348</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, 2018

| Functions/Programs | Expenses | Charges for Services | Capital Grants, Loans, and Contributions | Operating Grants and Contributions |
|--------------------------------------|----------------------|-------------------------|--|--|
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 4,014,764 | \$ 2,428,409 | \$ 10,000 | \$ 57,044 |
| Public Safety | 4,309,706 | 156,746 | 509,378 | 115,720 |
| Public Works | 4,109,100 | 994,298 | 523,119 | 474 |
| Health and Welfare | 176,356 | 6,640 | - | 16,017 |
| Culture and Recreation | 4,231,571 | 643,997 | 349,419 | 3,184 |
| Conservation and Development | 1,107,603 | - | - | 200 |
| Interest on Long-term Debt* | 276,701 | - | - | - |
| Total Governmental Activities | <u>18,225,801</u> | <u>4,230,090</u> | <u>1,391,916</u> | <u>192,639</u> |
| Business-type Activities: | | | | |
| Water | 2,412,858 | 3,605,557 | 460 | - |
| Electric | 13,309,456 | 17,248,389 | 4,683 | 328,426 |
| Waste Water | 2,634,735 | 3,635,557 | 150,000 | - |
| Airport | 2,669,183 | 110,864 | 2,310,816 | - |
| Garbage | 143,377 | 83,675 | - | - |
| Landfill | 1,721,895 | 1,490,495 | - | - |
| Total Business-type Activities | <u>22,891,504</u> | <u>26,174,537</u> | <u>2,465,959</u> | <u>328,426</u> |
| Total Primary Government | <u>\$ 41,117,305</u> | <u>\$ 30,404,627</u> | <u>\$ 3,857,875</u> | <u>\$ 521,065</u> |
| COMPONENT UNIT | | | | |
| Housing and Redevelopment Commission | <u>\$ 1,026,697</u> | <u>\$ 180,590</u> | <u>\$ 13,879</u> | <u>\$ 737,324</u> |

GENERAL REVENUES

Taxes:
Property Taxes
Sales Taxes
State Shared Revenues
County Shared Revenue
Unrestricted Investment Earnings
Other General Revenues
Transfers
Gain (Loss) on Disposal of Fixed Assets

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING, AS RESTATED

NET POSITION - ENDING

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> | <u>Component Unit Housing and Redevelopment Commission</u> |
|------------------------------------|-------------------------------------|-----------------------|--|
| \$ (1,519,311) | \$ - | \$ (1,519,311) | \$ - |
| (3,527,862) | - | (3,527,862) | - |
| (2,591,209) | - | (2,591,209) | - |
| (153,699) | - | (153,699) | - |
| (3,234,971) | - | (3,234,971) | - |
| (1,107,403) | - | (1,107,403) | - |
| <u>(276,701)</u> | <u>-</u> | <u>(276,701)</u> | <u>-</u> |
| <u>(12,411,156)</u> | <u>-</u> | <u>(12,411,156)</u> | <u>-</u> |
| - | 1,193,159 | 1,193,159 | - |
| - | 4,272,042 | 4,272,042 | - |
| - | 1,150,822 | 1,150,822 | - |
| - | (247,503) | (247,503) | - |
| - | (59,702) | (59,702) | - |
| - | (231,400) | (231,400) | - |
| <u>-</u> | <u>6,077,418</u> | <u>6,077,418</u> | <u>-</u> |
| <u>(12,411,156)</u> | <u>6,077,418</u> | <u>(6,333,738)</u> | <u>-</u> |
| | | | <u>(94,904)</u> |
| 3,390,903 | - | 3,390,903 | - |
| 8,579,386 | - | 8,579,386 | - |
| 827,110 | - | 827,110 | - |
| 16,989 | - | 16,989 | - |
| 18,832 | 202,267 | 221,099 | 2,636 |
| 275,607 | 187,375 | 462,982 | 19,824 |
| 1,761,771 | (1,761,771) | - | - |
| <u>42,014</u> | <u>101,262</u> | <u>143,276</u> | <u>-</u> |
| <u>14,912,612</u> | <u>(1,270,867)</u> | <u>13,641,745</u> | <u>22,460</u> |
| 2,501,456 | 4,806,551 | 7,308,007 | (72,444) |
| <u>60,389,000</u> | <u>85,168,506</u> | <u>145,557,506</u> | <u>1,107,792</u> |
| <u>\$ 62,890,456</u> | <u>\$ 89,975,057</u> | <u>\$ 152,865,513</u> | <u>\$ 1,035,348</u> |

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Balance Sheet - Governmental Funds
December 31, 2018

| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Special Sales Tax Fund</u> |
|---|----------------------------|---|-----------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 2,981,804 | \$ 659,447 | \$ 386,789 |
| Certificate of Deposits | 1,612,372 | - | - |
| Tax Receivable, Delinquent | 67,876 | 26,036 | - |
| Accounts Receivable, Net | 34,618 | 30,624 | - |
| Unbilled Accounts Receivable | - | - | - |
| Due From Other Governments | 1,069,246 | 106,429 | 15,126 |
| Inventory of Supplies | 109,598 | - | - |
| Deposits | 542,085 | - | - |
| Restricted Cash and Cash Equivalents | - | - | - |
| TOTAL ASSETS | <u>\$ 6,417,599</u> | <u>\$ 822,536</u> | <u>\$ 401,915</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 287,231 | \$ 10,981 | \$ - |
| Payroll Liabilities | 51,922 | - | - |
| Revenue Collected in Advance | 113,850 | - | - |
| Total Liabilities | <u>453,003</u> | <u>10,981</u> | <u>-</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable Revenues | <u>296,321</u> | <u>9,630</u> | <u>-</u> |
| Fund Balances: | | | |
| Nonspendable | 651,684 | - | - |
| Restricted | 4,412,562 | - | 401,915 |
| Committed | 19,650 | 801,925 | - |
| Assigned | 584,379 | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | <u>5,668,275</u> | <u>801,925</u> | <u>401,915</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 6,417,599</u> | <u>\$ 822,536</u> | <u>\$ 401,915</u> |

The accompanying notes are an integral part of this statement.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 853,379 | \$ 4,881,419 |
| - | 1,612,372 |
| - | 93,912 |
| 43,084 | 108,326 |
| 56,245 | 56,245 |
| 70,046 | 1,260,847 |
| 101,813 | 211,411 |
| - | 542,085 |
| <u>55,352</u> | <u>55,352</u> |
| <u>\$ 1,179,919</u> | <u>\$ 8,821,969</u> |
| | |
| \$ 87,777 | \$ 385,989 |
| 1,771 | 53,693 |
| <u>766</u> | <u>114,616</u> |
| <u>90,314</u> | <u>554,298</u> |
| | |
| <u>65,128</u> | <u>371,079</u> |
| | |
| 151,813 | 803,497 |
| 542,800 | 5,357,277 |
| 330,103 | 1,151,678 |
| - | 584,379 |
| <u>(239)</u> | <u>(239)</u> |
| <u>1,024,477</u> | <u>7,896,592</u> |
| | |
| <u>\$ 1,179,919</u> | <u>\$ 8,821,969</u> |

The accompanying notes are an integral part of this statement.

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City of Pierre, South Dakota
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2018

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 7,896,592 |
| 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. | 7,317 |
| Pension-related deferred outflows are not available financial resources and, therefore, are not reported in the funds. | 2,315,835 |
| Pension-related deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds. | (554,043) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 63,832,359 |
| Long-term liabilities, including bonds payable, capital leases payable 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. | (11,352,415) |
| Receipts collected after year-end, but not available soon enough to pay for current period expenditures, are deferred in the funds. | 371,079 |
| 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. | <u>396,861</u> |
| Net Position - Governmental Funds | <u>\$ 62,890,456</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, 2018

| | General Fund | Capital Improvement Fund | Special Tax Fund |
|--|-------------------|--------------------------------|---------------------|
| REVENUES | | | |
| Taxes: | | | |
| General Property Taxes | \$ 3,059,914 | \$ - | \$ - |
| General Sales and Use Taxes | 4,153,851 | 3,637,712 | 516,258 |
| Penalties and Interest on Delinquent Taxes | 12,630 | - | - |
| Licenses and Permits | 257,539 | - | - |
| Intergovernmental Revenue: | | | |
| Federal Grants | 159,837 | - | - |
| State Grants | 480,314 | - | - |
| State Shared Revenues: | | | |
| Bank Franchise | 118,675 | - | - |
| Liquor Tax Reversion | 83,420 | - | - |
| Motor Vehicle Licenses (5%) | 109,691 | - | - |
| Local Government Highway and Bridge Fund | 320,709 | - | - |
| 911 Telephone Surcharge | - | - | - |
| County Shared Revenues: | | | |
| County Road Tax (25%) | 6,004 | - | - |
| Other | 10,985 | - | - |
| Charges for Goods and Services: | | | |
| General Government | 1,993,628 | - | - |
| Public Safety | 18,071 | - | - |
| Highways and Streets | - | 461,417 | - |
| Health | 6,640 | - | - |
| Culture and Recreation | 630,430 | - | - |
| Cemetery | 49,026 | - | - |
| Fines and Forfeits: | | | |
| Court Fines and Costs | 3,051 | - | - |
| Library | - | - | - |
| Parking Meter Fines | 6,370 | - | - |
| Miscellaneous Revenues: | | | |
| Investment Earnings | 1,973 | 7,559 | 3,897 |
| Rentals | 275,051 | - | - |
| Special Assessments | 4,864 | 17,021 | - |
| Contributions from Private Sources | 7,669 | 186,755 | - |
| Other | 164,167 | - | - |
| TOTAL REVENUES | 11,934,509 | 4,310,464 | 520,155 |

The accompanying notes are an integral part of this statement.

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|
| \$ 318,359 | \$ 3,378,273 |
| 240,345 | 8,548,166 |
| - | 12,630 |
| - | 257,539 |
| 54,953 | 214,790 |
| 524,125 | 1,004,439 |
| - | 118,675 |
| - | 83,420 |
| - | 109,691 |
| - | 320,709 |
| 215,808 | 215,808 |
| - | 6,004 |
| - | 10,985 |
| 177,242 | 2,170,870 |
| 138,675 | 156,746 |
| 483,857 | 945,274 |
| - | 6,640 |
| 13,567 | 643,997 |
| - | 49,026 |
| - | 3,051 |
| 1,053 | 1,053 |
| - | 6,370 |
| 5,403 | 18,832 |
| - | 275,051 |
| - | 21,885 |
| 4,017 | 198,441 |
| <u>2,769</u> | <u>166,936</u> |
| <u>2,180,173</u> | <u>18,945,301</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, 2018

| | General Fund | Capital Improvement Fund | Special Tax Fund |
|---|---------------------|--------------------------------|---------------------|
| EXPENDITURES | | | |
| General Government: | | | |
| Legislative | \$ 106,818 | \$ - | \$ - |
| Elections | 11,260 | - | - |
| Financial Administration | 1,784,561 | - | - |
| Other | 1,608,323 | - | - |
| Public Safety: | | | |
| Police | 2,465,692 | - | - |
| Fire | 332,101 | 40,000 | - |
| Public Works: | | | |
| Highways and Streets | 1,699,407 | 460,185 | - |
| Cemeteries | 205,037 | - | - |
| Transit | 119,768 | - | - |
| Health and Welfare: | | | |
| Health | 34,627 | - | - |
| Ambulance | - | 66,000 | - |
| Other | 43,260 | - | - |
| Culture and Recreation: | | | |
| Recreation | 405,975 | - | - |
| Parks | 2,021,181 | 55,120 | - |
| Libraries | 675,726 | - | - |
| Conservation and Development: | | | |
| Economic Development | 929,973 | - | - |
| Debt Service | - | 945,440 | 278,963 |
| Capital Outlay | <u>2,186,270</u> | <u>1,931,785</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>14,629,979</u> | <u>3,498,530</u> | <u>278,963</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(2,695,470)</u> | <u>811,934</u> | <u>241,192</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | 2,805,188 | (572,197) | (182,646) |
| Sale of Municipal Property | <u>79,099</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>2,884,287</u> | <u>(572,197)</u> | <u>(182,646)</u> |
| NET CHANGE IN FUND BALANCES | 188,817 | 239,737 | 58,546 |
| FUND BALANCE - BEGINNING | <u>5,479,458</u> | <u>562,188</u> | <u>343,369</u> |
| FUND BALANCE - ENDING | <u>\$ 5,668,275</u> | <u>\$ 801,925</u> | <u>\$ 401,915</u> |

The accompanying notes are an integral part of this statement.

| <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|
| \$ - | \$ 106,818 |
| - | 11,260 |
| - | 1,784,561 |
| 182,285 | 1,790,608 |
| 1,115,004 | 3,580,696 |
| - | 372,101 |
| 134,024 | 2,293,616 |
| - | 205,037 |
| - | 119,768 |
| - | 34,627 |
| - | 66,000 |
| - | 43,260 |
| - | 405,975 |
| - | 2,076,301 |
| 37,687 | 713,413 |
| 177,630 | 1,107,603 |
| 238,872 | 1,463,275 |
| <u>344,399</u> | <u>4,462,454</u> |
| <u>2,229,901</u> | <u>20,637,373</u> |
| <u>(49,728)</u> | <u>(1,692,072)</u> |
| 82,927 | 2,133,272 |
| - | <u>79,099</u> |
| <u>82,927</u> | <u>2,212,371</u> |
| 33,199 | 520,299 |
| <u>991,278</u> | <u>7,376,293</u> |
| <u>\$ 1,024,477</u> | <u>\$ 7,896,592</u> |

The accompanying notes are an integral part of this statement.

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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, 2018

| | |
|--|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 520,299 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 1,625,040 |
| The transfer of capital assets from enterprise funds to governmental activities is not reported in the governmental funds, but is reported as a capital contribution on the government-wide statements. | (371,502) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 1,186,574 |
| 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. | (37,085) |
| Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. | |
| Changes in pension-related deferred outflows/inflows are direct components of the pension asset and are not reflected in the governmental funds. | (558,253) |
| Property 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. | (21,824) |
| Governmental funds do not reflect the change in accrued leave or other post-employment benefits, but the Statement of Activities reflects the change in these liabilities through expenditures. | 9,311 |
| 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. | <u>148,896</u> |
| Change in Net Position of Governmental Activities | <u>\$ 2,501,456</u> |

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Net Position - Proprietary Funds
December 31, 2018

| | Water Fund | Electric Fund |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 3,070,792 | \$ 4,130,059 |
| Investments | - | 1,042,298 |
| Accounts Receivable, Net | 31,157 | 244,759 |
| Unbilled Accounts Receivable | 316,263 | 1,786,218 |
| Special Assessments Receivable - Current | 8,354 | - |
| Due from Other Governments | - | - |
| Inventory of Supplies | 251,570 | 827,178 |
| Total Current Assets | 3,678,136 | 8,030,512 |
| Noncurrent Assets: | | |
| Restricted Cash and Cash Equivalents | - | 7,943,218 |
| Net Pension Asset | 509 | 808 |
| Capital Assets: | | |
| Land | 181,258 | 31,675 |
| Buildings and Infrastructure | 15,264,793 | 1,330,133 |
| Improvements | - | 35,695,991 |
| Machinery and Equipment | 3,503,683 | 2,365,249 |
| Construction in Progress | 292,824 | 399,117 |
| Less: Accumulated Depreciation | (7,487,548) | (9,040,248) |
| Total Noncurrent Assets | 11,755,519 | 38,725,943 |
| TOTAL ASSETS | 15,433,655 | 46,756,455 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension-related Deferred Outflows | 191,030 | 289,062 |

The accompanying notes are an integral part of this statement.

Enterprise Funds

| Waste Water Fund | Airport Fund | Other Enterprise Funds | Totals | Internal Service Funds |
|-------------------|-------------------|------------------------|--------------------|------------------------|
| \$ 1,253,606 | \$ 96 | \$ 154,822 | \$ 8,609,375 | \$ 746,820 |
| - | - | - | 1,042,298 | - |
| 39,974 | 51,572 | 139,929 | 507,391 | 154,506 |
| 423,341 | - | 13,736 | 2,539,558 | - |
| - | - | - | 8,354 | - |
| - | 381,120 | - | 381,120 | - |
| - | 37,424 | 121,614 | 1,237,786 | - |
| <u>1,716,921</u> | <u>470,212</u> | <u>430,101</u> | <u>14,325,882</u> | <u>901,326</u> |
| - | - | 1,079,917 | 9,023,135 | - |
| 679 | 177 | 583 | 2,756 | - |
| 49,434 | 235,889 | 3,986,551 | 4,484,807 | - |
| 27,947,178 | 43,033,310 | 3,282,329 | 90,857,743 | - |
| - | - | - | 35,695,991 | - |
| 4,549,966 | 3,766,780 | 3,237,581 | 17,423,259 | - |
| 165,846 | 31,643 | - | 889,430 | - |
| (16,935,730) | (18,472,719) | (3,285,823) | (55,222,068) | - |
| <u>15,777,373</u> | <u>28,595,080</u> | <u>8,301,138</u> | <u>103,155,053</u> | <u>-</u> |
| <u>17,494,294</u> | <u>29,065,292</u> | <u>8,731,239</u> | <u>117,480,935</u> | <u>901,326</u> |
| <u>187,731</u> | <u>82,351</u> | <u>190,331</u> | <u>940,505</u> | <u>-</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, 2018

| | Water Fund | Electric Fund |
|---|----------------------|----------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 249,383 | 978,971 |
| Incurred But Not Reported Claims | - | - |
| Accrued Interest Payable | - | 52,190 |
| Accrued Wages Payable | 3,208 | 7,410 |
| Customer Deposits | - | 620,468 |
| Revenue Collected in Advance | 5,749 | 29,127 |
| Revenue Bond Payable - Current | 150,219 | 691,000 |
| Accrued Leave Payable - Current | 2,740 | 7,095 |
| Total Current Liabilities | <u>411,299</u> | <u>2,386,261</u> |
| Noncurrent Liabilities: | | |
| Revenue Bonds Payable | 116,150 | 18,984,000 |
| Accrued Leave Payable | 33,798 | 87,500 |
| Accrued Landfill Closure and Post-closure Costs | - | - |
| Net OPEB Obligation | 117,070 | 179,110 |
| Total Noncurrent Liabilities | <u>267,018</u> | <u>19,250,610</u> |
| TOTAL LIABILITIES | <u>678,317</u> | <u>21,636,871</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension-related Deferred Inflows | 41,827 | 67,968 |
| NET POSITION | | |
| Net Investment in Capital Assets | 11,488,641 | 11,106,917 |
| Restricted for: | | |
| Bond Debt Service | - | 1,042,298 |
| SDRS Pension Purposes | 149,712 | 221,902 |
| Unrestricted | 3,266,188 | 12,969,561 |
| TOTAL NET POSITION | <u>\$ 14,904,541</u> | <u>\$ 25,340,678</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

The accompanying notes are an integral part of this statement.

Enterprise Funds

| Waste Water Fund | Airport Fund | Other Enterprise Funds | Totals | Internal Service Funds |
|----------------------|----------------------|------------------------|----------------------|------------------------|
| 178,224 | 104,478 | 47,337 | 1,558,393 | 20,786 |
| - | - | - | - | 283,714 |
| 91,215 | - | - | 143,405 | - |
| 1,367 | 2,286 | 9,065 | 23,336 | - |
| - | 25 | - | 620,493 | - |
| 4,248 | - | 323 | 39,447 | - |
| 212,064 | - | - | 1,053,283 | - |
| <u>2,269</u> | <u>1,718</u> | <u>9,905</u> | <u>23,727</u> | <u>-</u> |
| <u>489,387</u> | <u>108,507</u> | <u>66,630</u> | <u>3,462,084</u> | <u>304,500</u> |
| 4,310,233 | - | - | 23,410,383 | - |
| 27,990 | 21,185 | 122,166 | 292,639 | - |
| - | - | 717,969 | 717,969 | - |
| <u>77,139</u> | <u>63,633</u> | <u>111,527</u> | <u>548,479</u> | <u>-</u> |
| <u>4,415,362</u> | <u>84,818</u> | <u>951,662</u> | <u>24,969,470</u> | <u>-</u> |
| <u>4,904,749</u> | <u>193,325</u> | <u>1,018,292</u> | <u>28,431,554</u> | <u>304,500</u> |
| <u>39,259</u> | <u>20,235</u> | <u>45,505</u> | <u>214,794</u> | <u>-</u> |
| 11,254,397 | 28,594,903 | 7,220,638 | 69,665,496 | - |
| - | - | - | 1,042,298 | - |
| 149,151 | 62,293 | 145,409 | 728,467 | - |
| <u>1,334,469</u> | <u>276,887</u> | <u>491,726</u> | <u>18,338,831</u> | <u>596,826</u> |
| <u>\$ 12,738,017</u> | <u>\$ 28,934,083</u> | <u>\$ 7,857,773</u> | <u>\$ 89,775,092</u> | <u>\$ 596,826</u> |
| | | | <u>199,965</u> | |
| | | | <u>\$ 89,975,057</u> | |

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, 2018

| | Water Fund | Electric Fund |
|---|----------------------|----------------------|
| OPERATING REVENUE | | |
| Charges for Goods and Services | \$ 3,605,500 | \$ 16,227,377 |
| Revenue Dedicated to Servicing Debt | - | - |
| Miscellaneous | 57 | 1,021,012 |
| Total Operating Revenue | <u>3,605,557</u> | <u>17,248,389</u> |
| OPERATING EXPENSES | | |
| Personnel Services | 820,598 | 1,203,643 |
| Other Current Expenses | 697,597 | 1,607,275 |
| Materials (Cost of Goods Sold) | 301,058 | 8,246,064 |
| Depreciation | <u>595,692</u> | <u>1,243,713</u> |
| Total Operating Expenses | <u>2,414,945</u> | <u>12,300,695</u> |
| OPERATING INCOME (LOSS) | <u>1,190,612</u> | <u>4,947,694</u> |
| NONOPERATING REVENUE (EXPENSE) | | |
| Capital Grants | 460 | 4,683 |
| Investment Earnings | 21,100 | 138,956 |
| Rental Revenue | - | 16,380 |
| Interest Expense | (12,510) | (1,024,010) |
| Recovery Zone Federal Subsidy | - | 328,426 |
| Insurance Proceeds | - | - |
| Gain (Loss) on Disposition of Assets | <u>11,846</u> | <u>(15,960)</u> |
| Total Nonoperating Revenue (Expense) | <u>20,896</u> | <u>(551,525)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 1,211,508 | 4,396,169 |
| Transfers In (Out) | <u>(2,934)</u> | <u>(3,271,122)</u> |
| CHANGE IN NET POSITION | 1,208,574 | 1,125,047 |
| NET POSITION - BEGINNING, AS RESTATED | <u>13,695,967</u> | <u>24,215,631</u> |
| NET POSITION - ENDING | <u>\$ 14,904,541</u> | <u>\$ 25,340,678</u> |

The accompanying notes are an integral part of this statement.

| Enterprise Funds | | | | |
|----------------------|----------------------|------------------------------|----------------------|------------------------------|
| Waste Water Fund | Airport Fund | Other Enterprise Funds | Totals | Internal Service Funds |
| \$ 3,267,914 | \$ 110,855 | \$ 1,573,343 | \$ 24,784,989 | \$ 2,529,439 |
| 360,234 | - | - | 360,234 | - |
| 7,409 | 9 | 827 | 1,029,314 | - |
| <u>3,635,557</u> | <u>110,864</u> | <u>1,574,170</u> | <u>26,174,537</u> | <u>2,529,439</u> |
| 576,202 | 437,198 | 816,304 | 3,853,945 | 1,548,694 |
| 719,406 | 755,172 | 577,447 | 4,356,897 | 773,109 |
| 240,857 | 42,042 | 191,492 | 9,021,513 | - |
| 932,016 | 1,441,526 | 295,205 | 4,508,152 | - |
| <u>2,468,481</u> | <u>2,675,938</u> | <u>1,880,448</u> | <u>21,740,507</u> | <u>2,321,803</u> |
| <u>1,167,076</u> | <u>(2,565,074)</u> | <u>(306,278)</u> | <u>4,434,030</u> | <u>207,636</u> |
| 150,000 | 2,310,816 | - | 2,465,959 | - |
| 10,318 | - | 31,893 | 202,267 | 5,783 |
| 6,051 | 161,564 | 100 | 184,095 | - |
| (179,000) | - | - | (1,215,520) | - |
| - | - | - | 328,426 | - |
| - | 3,280 | - | 3,280 | - |
| 71,104 | 34,272 | - | 101,262 | - |
| <u>58,473</u> | <u>2,509,932</u> | <u>31,993</u> | <u>2,069,769</u> | <u>5,783</u> |
| 1,225,549 | (55,142) | (274,285) | 6,503,799 | 213,419 |
| <u>1,368,340</u> | <u>147,925</u> | <u>(3,980)</u> | <u>(1,761,771)</u> | <u>-</u> |
| 2,593,889 | 92,783 | (278,265) | 4,742,028 | 213,419 |
| <u>10,144,128</u> | <u>28,841,300</u> | <u>8,136,038</u> | <u>85,033,064</u> | <u>383,407</u> |
| <u>\$ 12,738,017</u> | <u>\$ 28,934,083</u> | <u>\$ 7,857,773</u> | <u>\$ 89,775,092</u> | <u>\$ 596,826</u> |

The accompanying notes are an integral part of this statement.

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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, 2018

Change in Net Position - Total Proprietary Funds \$ 4,742,028

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.

64,523

Change in Net Position of Business-type Activities

\$ 4,806,551

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, 2018

| | Water Fund | Electric Fund |
|---|------------------|---------------------|
| CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 3,560,348 | \$ 17,455,211 |
| Payments to Suppliers | (1,040,510) | (10,226,732) |
| Payments to Employees | (776,146) | (1,158,507) |
| | <u>1,743,692</u> | <u>6,069,972</u> |
| CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES | | |
| Due to (from) Other Funds | - | - |
| Transfers from Other Funds | (2,934) | 307,033 |
| | <u>(2,934)</u> | <u>307,033</u> |
| CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Grants | 460 | 4,683 |
| Proceeds from Debt Issuance | - | - |
| Proceeds from Sale of Capital Assets | 14,648 | - |
| Recovery Zone Federal Subsidy | - | 328,426 |
| Other Receipts | - | 16,380 |
| Purchase of Capital Assets | (573,144) | (8,659,155) |
| Debt Principal Paid | (166,063) | (685,000) |
| Debt Interest Paid | (12,694) | (1,023,893) |
| | <u>(736,793)</u> | <u>(10,018,559)</u> |
| CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES | | |
| Cash (Invested in) Provided by Restricted/Reserve Accounts | 60,568 | 1,720,473 |
| Cash Received for Interest | 21,100 | 138,956 |
| | <u>81,668</u> | <u>1,859,429</u> |

The accompanying notes are an integral part of this statements.

| Enterprise Funds | | | | |
|--------------------|--------------------|------------------------|---------------------|------------------------|
| Waste Water Fund | Airport Fund | Other Enterprise Funds | Totals | Internal Service Funds |
| \$ 3,601,637 | \$ 96,394 | \$ 1,545,954 | \$ 26,259,544 | \$ 2,374,933 |
| (2,153,482) | (1,122,993) | (721,028) | (15,264,745) | (812,816) |
| <u>(590,137)</u> | <u>(405,057)</u> | <u>(761,650)</u> | <u>(3,691,497)</u> | <u>(1,340,627)</u> |
| <u>858,018</u> | <u>(1,431,656)</u> | <u>63,276</u> | <u>7,303,302</u> | <u>221,490</u> |
| (513,319) | - | (4,599) | (517,918) | - |
| <u>1,368,340</u> | <u>147,925</u> | <u>(3,980)</u> | <u>1,816,384</u> | <u>-</u> |
| <u>855,021</u> | <u>147,925</u> | <u>(8,579)</u> | <u>1,298,466</u> | <u>-</u> |
| 150,000 | 3,193,423 | - | 3,348,566 | - |
| 1,972,884 | - | - | 1,972,884 | - |
| 71,104 | 34,272 | - | 120,024 | - |
| - | - | - | 328,426 | - |
| 6,051 | 164,844 | 100 | 187,375 | - |
| (1,221,161) | (2,111,036) | (188,295) | (12,752,791) | - |
| (2,615,380) | - | - | (3,466,443) | - |
| <u>(90,955)</u> | <u>-</u> | <u>-</u> | <u>(1,127,542)</u> | <u>-</u> |
| <u>(1,727,457)</u> | <u>1,281,503</u> | <u>(188,195)</u> | <u>(11,389,501)</u> | <u>-</u> |
| 1,257,706 | - | (90,426) | 2,948,321 | - |
| <u>10,318</u> | <u>-</u> | <u>31,893</u> | <u>202,267</u> | <u>5,783</u> |
| <u>1,268,024</u> | <u>-</u> | <u>(58,533)</u> | <u>3,150,588</u> | <u>5,783</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, 2018

| | Water Fund | Electric Fund |
|--|---------------------|---------------------|
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 1,085,633 | (1,782,125) |
| BALANCE - BEGINNING | <u>1,985,159</u> | <u>5,912,184</u> |
| BALANCE - ENDING | <u>\$ 3,070,792</u> | <u>\$ 4,130,059</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED BY) OPERATING ACTIVITIES | | |
| Operating Income (Loss) | \$ 1,190,612 | \$ 4,947,694 |
| Adjustments to Reconcile Operating Income to Net Cash from (Used by) Operating Activities: | | |
| Depreciation Expense | 595,692 | 1,243,713 |
| Change in Assets and Liabilities: | | |
| Accounts Receivables/Unbilled Receivables | (46,377) | 179,221 |
| Inventories | (31,987) | (323,318) |
| Pension-related Deferred Outflows | 41,845 | 68,786 |
| Accounts and Other Payables | (9,586) | (49,659) |
| Accrued Landfill Closure and Post-closure Costs | - | - |
| Accrued Wages Payable | (306) | (2,491) |
| Accrued Taxes Payable | (283) | (416) |
| Revenue Collected in Advance | 1,168 | 9,237 |
| Customer Deposits | - | 18,364 |
| Accrued Leave Payable | (1,981) | (30,056) |
| Pension-related Deferred Inflows | (402) | (660) |
| OPEB Liability | 3,675 | 6,891 |
| Pension-related Asset/Liability | <u>1,622</u> | <u>2,666</u> |
| NET CASH FROM (USED BY) OPERATING ACTIVITIES | <u>\$ 1,743,692</u> | <u>\$ 6,069,972</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Fixed Asset Additions Included in Payables at Year-end | <u>\$ -</u> | <u>\$ 101,448</u> |

The accompanying notes are an integral part of this statements.

| Enterprise Funds | | | | |
|---------------------|-----------------------|------------------------------|---------------------|------------------------------|
| Waste Water Fund | Airport Fund | Other Enterprise Funds | Totals | Internal Service Funds |
| 1,253,606 | (2,228) | (192,031) | 362,855 | 227,273 |
| <u>-</u> | <u>2,324</u> | <u>346,853</u> | <u>8,246,520</u> | <u>519,547</u> |
| <u>\$ 1,253,606</u> | <u>\$ 96</u> | <u>\$ 154,822</u> | <u>\$ 8,609,375</u> | <u>\$ 746,820</u> |
| | | | | |
| \$ 1,167,076 | \$ (2,565,074) | \$ (306,278) | \$ 4,434,030 | \$ 207,636 |
| | | | | |
| 932,016 | 1,441,526 | 295,205 | 4,508,152 | - |
| (35,050) | (14,470) | (28,280) | 55,044 | (154,506) |
| - | (5,973) | 47,981 | (313,297) | - |
| 33,991 | 22,169 | 45,020 | 211,811 | - |
| (1,193,219) | (317,741) | (44,807) | (1,615,012) | 168,360 |
| - | - | 44,736 | 44,736 | - |
| 857 | 58 | 660 | (1,222) | - |
| - | (2,065) | - | (2,764) | - |
| 1,130 | - | 65 | 11,600 | - |
| - | - | - | 18,364 | - |
| (44,101) | 4,806 | 3,469 | (67,863) | - |
| (326) | (213) | (432) | (2,033) | - |
| (3,677) | 859 | 4,192 | 11,940 | - |
| (679) | 4,462 | 1,745 | 9,816 | - |
| <u>\$ 858,018</u> | <u>\$ (1,431,656)</u> | <u>\$ 63,276</u> | <u>\$ 7,303,302</u> | <u>\$ 221,490</u> |
| | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,448</u> | <u>\$ -</u> |

The accompanying notes are an integral part of this statements.

City of Pierre, South Dakota
Statement of Net Position - Fiduciary Funds
December 31, 2018

| | <u>Agency Fund</u> |
|-------------------------------------|--------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ <u>24,361</u> |
| LIABILITIES | |
| Accounts Payable and Other Payables | 2,501 |
| Amounts Held for Others | <u>21,860</u> |
| TOTAL LIABILITIES | <u>\$ 24,361</u> |

The accompanying notes are an integral part of this statements.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

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 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 of Pierre, South Dakota are discretely presented in the accompanying financial statements under "component units." The financial information is as of and for the year ended June 30, 2018. 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 City of Pierre Housing and Redevelopment Commission 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. 1, 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 22). 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. 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, 2018

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, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the 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, 2018

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, 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, 2018

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 - To account 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 - To account 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 - To account 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 agency 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 is the only internal service fund maintained by the City. Internal service funds are never considered to be major funds.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds.

Agency Fund Types - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of the "Medical Reimbursement Clearing Fund" and civic organizations.

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, both 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, 2018

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 which are accrued at December 31, 2018 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, 2018

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 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 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 in nature and normally can be preserved for 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 governmental activities capital assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is 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 actual historical cost is not available. Donated capital assets are valued at their estimated fair 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, 2018

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 and capital leases.

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 from 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, 2018

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 financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies 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 activities, 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, 2018

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. Agency funds have no equity. The net position is reported as net position held in agency capacity.

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

The following classifications of governmental fund balances describe the relative strength of the spending constraints placed on such balances:

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 which 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 does 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 City Commission through adoption or amendment of the budget as intended for specific purpose (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, 2018

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 |
|------------------------|---------------------|--------------------------------|---------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Public Assurance | | | | | |
| Alliance Reserve | \$ 542,085 | \$ - | \$ - | \$ - | \$ 542,085 |
| Inventory | 109,599 | - | - | 101,813 | 211,412 |
| Cemetery | - | - | - | 50,000 | 50,000 |
| Restricted for: | | | | | |
| Public Works | 4,412,166 | - | - | - | 4,412,166 |
| Special Sales Tax | - | - | 401,915 | - | 401,915 |
| Storm Drainage | - | - | - | 283,367 | 283,367 |
| Library | - | - | - | 83,564 | 83,564 |
| 911 | - | - | - | 171,405 | 171,405 |
| Cemetery | - | - | - | 4,464 | 4,464 |
| Culture and Recreation | 396 | - | - | - | 396 |
| Committed to: | | | | | |
| Capital Improvements | - | 801,925 | - | - | 801,925 |
| Culture and Recreation | 19,650 | - | - | 87,794 | 107,444 |
| Occupancy Tax | - | - | - | 242,309 | 242,309 |
| Assigned to: | | | | | |
| Applied to Next | | | | | |
| Year's Budget | 355,932 | - | - | - | 355,932 |
| Capital Accumulations | 228,447 | - | - | - | 228,447 |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>(239)</u> | <u>(239)</u> |
| Total Fund Balances | <u>\$ 5,668,275</u> | <u>\$ 801,925</u> | <u>\$ 401,915</u> | <u>\$ 1,024,477</u> | <u>\$ 7,896,592</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. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

NOTE 2 - DEFICIT FUND BALANCES OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2018 the Police Pistol Fund, a nonmajor fund, had a deficit fund balance in the amount of \$239.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 3 - 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 which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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.

Fair Value Measurement - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City had the following recurring fair value measurements, all of which are considered to be Level 2 investments, at December 31, 2018:

| <u>Investment</u> | <u>Credit Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|-------------------------|----------------------|-------------------|---------------------|
| Certificates of Deposit | Not Rated | N/A | \$ 992,000 |
| U.S. Treasury Note | AAA | 9/30/2019 | <u>161,096</u> |
| Total Investments | | | <u>\$ 1,153,096</u> |

The U.S. Treasury Note is part of the sweep account used in the Electric Fund Bond Reserve account.

The Level 2 investments are valued by the Trustee's third-party pricing service using valuation techniques that reflect market participants' assumptions based on market information; dealer quotes and trades for similar assets; benchmark yield curves; and other market corroborated input.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2018, 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, 2018, the Commission's deposits were fully insured or collateralized and were not exposed to custodial risk.

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 4 - 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 |
| Debt Service Covenants | 888 |
| South Dakota Public Assurance Alliance | 542,085 |
| Pension | 7,317 |
| Total Governmental | \$ 604,754 |
| Business-type Activities: | |
| Debt Service Covenants | \$ 3,143,561 |
| Construction of Capital Assets | 4,177,547 |
| Customer Deposits | 622,110 |
| Landfill Expansion and Post-closure Costs | 1,079,917 |
| Pension | 2,756 |
| Total Business-type | \$ 9,025,891 |

NOTE 5 - RECEIVABLES AND PAYABLES

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 6 - DUE FROM OTHER GOVERNMENTS

- *General Fund* - \$863,503 due from state government for 1% city sales tax; \$64,358 due from state government for local government highway/bridge funds; \$23,383 due from state government for liquor tax reversion funds; and \$118,000 due from state government for grants.
- *Capital Improvement Fund* - \$106,429 due from state government for 1% city sales tax.
- *Special Sales Tax Fund* - \$15,126 due from state government for 1% city sales tax.
- *Airport Fund* - \$361,001 due from federal government for grant and \$20,119 due from state government for grants.
- *E-911 Fund* - \$70,046 due from state government for state radio charges.

NOTE 7 - 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 off-set 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 8 - 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 9 - 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, 2018

NOTE 10 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2018 is as follows:

| Primary Government | Balance 1/1/2018 | Increase | Decrease | Balance 12/31/2018 |
|---|----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 15,105,006 | \$ - | \$ - | \$ 15,105,006 |
| Construction in Progress | 41,953 | 336,757 | (253,447) | 125,263 |
| Total Capital Assets Not Being Depreciated | <u>15,146,959</u> | <u>336,757</u> | <u>(253,447)</u> | <u>15,230,269</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 24,322,070 | 1,374,658 | - | 25,696,728 |
| Improvements Other Than Buildings | 49,319,318 | 2,257,070 | (3,201,350) | 48,375,038 |
| Machinery and Equipment | 12,742,282 | 747,391 | (365,636) | 13,124,037 |
| Total Capital Assets Being Depreciated | <u>86,383,669</u> | <u>4,379,119</u> | <u>(3,566,986)</u> | <u>87,195,802</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 10,346,929 | 721,292 | - | 11,068,221 |
| Improvements Other Than Buildings | 19,601,058 | 1,514,927 | (2,818,106) | 18,297,879 |
| Machinery and Equipment | 8,966,712 | 601,195 | (340,295) | 9,227,612 |
| Total Accumulated Depreciation | <u>38,914,699</u> | <u>2,837,414</u> | <u>(3,158,401)</u> | <u>38,593,712</u> |
| Total Capital Assets Being Depreciated, Net | <u>47,468,970</u> | <u>1,541,705</u> | <u>(408,585)</u> | <u>48,602,090</u> |
| Governmental Activity Capital Assets, Net | <u>\$ 62,615,929</u> | <u>\$ 1,878,462</u> | <u>\$ (662,032)</u> | <u>\$ 63,832,359</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Governmental Activities: | | | | |
| General Government | | | | \$ 204,500 |
| Public Safety | | | | 204,766 |
| Public Works | | | | 1,460,174 |
| Health and Welfare | | | | 16,057 |
| Culture and Recreation | | | | <u>951,917</u> |
| Total Depreciation Expense - Governmental Activities | | | | <u>\$ 2,837,414</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 10 - CHANGES IN CAPITAL ASSETS (CONTINUED)

| Primary Government | Balance 1/1/2018 | Increase | Decrease | Balance 12/31/2018 |
|---|----------------------|----------------------|------------------------|-----------------------|
| Business-type Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 4,484,807 | \$ - | \$ - | \$ 4,484,807 |
| Construction in Progress | <u>5,060,331</u> | <u>6,239,699</u> | <u>(10,410,600)</u> | <u>889,430</u> |
| Total Capital Assets Not Being Depreciated | <u>9,545,138</u> | <u>6,239,699</u> | <u>(10,410,600)</u> | <u>5,374,237</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 46,029,435 | 854,282 | - | 46,883,717 |
| Improvements Other Than Buildings | 71,222,459 | 10,203,065 | (1,755,507) | 79,670,017 |
| Machinery and Equipment | <u>15,511,491</u> | <u>2,339,680</u> | <u>(427,912)</u> | <u>17,423,259</u> |
| Total Capital Assets Being Depreciated | <u>132,763,385</u> | <u>13,397,027</u> | <u>(2,183,419)</u> | <u>143,976,993</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 19,635,809 | 1,496,907 | - | 21,132,716 |
| Improvements Other Than Buildings | 23,967,637 | 2,022,917 | (657,899) | 25,332,655 |
| Machinery and Equipment | <u>8,181,608</u> | <u>988,328</u> | <u>(413,239)</u> | <u>8,756,697</u> |
| Total Accumulated Depreciation | <u>51,785,054</u> | <u>4,508,152</u> | <u>(1,071,138)</u> | <u>55,222,068</u> |
| Total Capital Assets Being Depreciated, Net | <u>80,978,331</u> | <u>8,888,875</u> | <u>(1,112,281)</u> | <u>88,754,925</u> |
| Business-type Activity Capital Assets, Net | <u>\$ 90,523,469</u> | <u>\$ 15,128,574</u> | <u>\$ (11,522,881)</u> | <u>\$ 94,129,162</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Business-type Activities: | | | | |
| Water | | | | \$ 595,692 |
| Electric | | | | 1,243,713 |
| Waste Water | | | | 932,016 |
| Airport | | | | 1,441,526 |
| Garbage | | | | 12,394 |
| Landfill | | | | <u>282,811</u> |
| Total Depreciation Expense - Business-type Activities | | | | <u>\$ 4,508,152</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 10 - CHANGES IN CAPITAL ASSETS (CONTINUED)

The City had active construction projects as of December 31, 2018. At year-end, the City had commitments with contractors and ongoing projects as follows:

| | Project Authorization | Expended Through 12/31/18 | Committed |
|------------------------------------|--------------------------|---------------------------------|----------------------|
| Boys and Girls Club Renovation | \$ 4,000,000 | \$ 49,460 | \$ 3,950,540 |
| YMCA/Aquatic Center HVAC | 360,000 | 6,750 | 353,250 |
| Griffin Park Storm Shelter | 760,000 | 69,053 | 690,947 |
| Water Treatment Plant | 38,000,000 | 292,824 | 37,707,176 |
| Electrical Infrastructure Phase 2 | 8,412,300 | 5,484,745 | 2,927,555 |
| Wastewater Plant Improvements PH 3 | 13,000,000 | 25,366 | 12,974,634 |
| 2018 Manhole Rehab | 206,991 | 140,480 | 66,511 |
| Airport Taxiway B Improvements | 1,000,000 | 31,643 | 968,357 |
| | <u>\$ 65,739,291</u> | <u>\$ 6,100,320</u> | <u>\$ 59,638,970</u> |

NOTE 11 - CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended June 30, 2018 is as follows:

| Primary Government | Balance 7/1/2017 | Increase | Decrease | Balance 6/30/2018 |
|---|---------------------|--------------------|-------------|----------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 80,645 | \$ - | \$ - | \$ 80,645 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and Improvements | 2,783,042 | 13,879 | - | 2,796,921 |
| Furniture and Equipment | 88,995 | - | - | 88,995 |
| Total Capital Assets Being Depreciated | <u>2,872,037</u> | <u>13,879</u> | <u>-</u> | <u>2,885,916</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 2,337,282 | 78,930 | - | 2,416,212 |
| Furniture and Equipment | 80,393 | 2,027 | - | 82,420 |
| Total Accumulated Depreciation | <u>2,417,675</u> | <u>80,957</u> | <u>-</u> | <u>2,498,632</u> |
| Total Capital Assets Being Depreciated, Net | <u>454,361</u> | <u>(67,078)</u> | <u>-</u> | <u>387,283</u> |
| Governmental Activity Capital Assets, Net | <u>\$ 535,006</u> | <u>\$ (67,078)</u> | <u>\$ -</u> | <u>\$ 467,928</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 12 - LONG-TERM DEBT

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

| Primary Government | 01/01/18 | Increase | Decrease | 12/31/18 | Due Within One Year | Interest Paid |
|--------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|---------------------|
| Governmental Activities: | | | | | | |
| Bonds Payable: | | | | | | |
| Tax Increment Financing | \$ 1,439,276 | \$ - | \$ (173,411) | \$ 1,265,865 | \$ 137,980 | \$ 65,461 |
| Revenue | <u>9,002,952</u> | <u>-</u> | <u>(1,013,163)</u> | <u>7,989,789</u> | <u>582,676</u> | <u>212,061</u> |
| Total Debt | 10,442,228 | - | (1,186,574) | 9,255,654 | 720,656 | 277,522 |
| Accrued Compensated Absences | 825,581 | - | (56,294) | 769,287 | 57,697 | - |
| OPEB | <u>1,280,517</u> | <u>46,957</u> | <u>-</u> | <u>1,327,474</u> | <u>-</u> | <u>-</u> |
| Total Governmental Activities | <u>12,548,326</u> | <u>46,957</u> | <u>(1,242,868)</u> | <u>11,352,415</u> | <u>778,353</u> | <u>277,522</u> |
| Business-type Activities: | | | | | | |
| Bonds Payable: | | | | | | |
| Revenue | <u>25,957,225</u> | <u>1,972,884</u> | <u>(3,466,443)</u> | <u>24,463,666</u> | <u>1,053,283</u> | <u>1,123,456</u> |
| Total Debt | 25,957,225 | 1,972,884 | (3,466,443) | 24,463,666 | 1,053,283 | 1,123,456 |
| Accrued Compensated Absences | 384,229 | - | (67,863) | 316,366 | 23,727 | - |
| OPEB | <u>532,936</u> | <u>15,543</u> | <u>-</u> | <u>548,479</u> | <u>-</u> | <u>-</u> |
| Total Business-type Activities | <u>26,874,390</u> | <u>1,988,427</u> | <u>(3,534,306)</u> | <u>25,328,511</u> | <u>1,077,010</u> | <u>1,123,456</u> |
| Total Primary Government | <u>\$ 39,422,716</u> | <u>\$ 2,035,384</u> | <u>\$ (4,777,174)</u> | <u>\$ 36,680,926</u> | <u>\$ 1,855,363</u> | <u>\$ 1,400,978</u> |
| Component Unit | | | | | | |
| Accrued Compensated Absences | <u>\$ 7,171</u> | <u>\$ -</u> | <u>\$ (2,650)</u> | <u>\$ 4,521</u> | <u>\$ 3,117</u> | <u>\$ -</u> |

Debt payable at December 31, 2018 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 2026. | \$ 1,051,718 |
| 2009 Tax Increment Revenue Bond for TIF District No. 5 Loan. Payable in semi-annual installments of approximately 17,000 at 4.8% interest. Paid by a Debt Service fund. Due 2023. | 125,498 |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 12 - LONG-TERM DEBT (CONTINUED)

| | |
|--|-------------------|
| 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 2024. | 88,649 |
| 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 December 31, 2023. | 184,962 |
| 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 April 14, 2031. | 437,613 |
| 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 June 30, 2025. | 451,042 |
| State Revolving Fund Loan for landfill containment/replacement. Payable in semi-annual installments of \$33,456, including interest at 2.25%. Paid out of the Special Tax Fund. Due June 1, 2020. | 98,151 |
| 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 November 15, 2025. | 591,277 |
| 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 December 2026. | 319,587 |
| 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 December 2036. | <u>5,907,157</u> |
| Total Revenue Bonds | <u>9,255,654</u> |
| Compensated Absences: | |
| The liability for compensated absences represents leave benefits earned as of December 31, 2018: | |
| Annual Leave | 458,849 |
| Sick Leave | 300,808 |
| Comp Leave | <u>9,630</u> |
| Total Compensated Absences | <u>769,287</u> |
| Other Post Employment Benefits | <u>1,327,474</u> |
| Total Governmental Activity Debt | <u>11,352,415</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Business-type Activity Debt:

Revenue Bonds:

| | |
|--|-------------------|
| Drinking Water State Revolving Fund Loan (2). Payable in quarterly installments of \$39,396, including interest at 3.5%. Paid out of the Water Fund. Due September 30, 2020. | 266,369 |
| 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 December 2036. | 901,865 |
| Electric Revenue Bonds, Series 2010V, (Recovery Zone Economic Development Bonds). for a new electric substation. Payable in semi-annual installments of varying amounts, including interest rates ranging from 3.0% to 7.5%. Paid out of the Electric Fund. Due December 15, 2040. | 11,500,000 |
| 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 December 1, 2037. | 8,175,000 |
| 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 Waste Water Fund. Due May 15, 2029. | 912,203 |
| 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 2039. | <u>2,708,229</u> |
| Total Revenue Bonds | <u>24,463,666</u> |

Compensated Absences:

Compensated Absences of Enterprise:

Employees:

| | |
|--------------|--------------|
| Annual Leave | 190,597 |
| Sick Leave | 122,932 |
| Comp Leave | <u>2,837</u> |

Total Compensated Absences 316,366

Other Post Employment Benefits 548,479

Total Business-type Activity Debt 25,328,511

Total Primary Government \$ 36,680,926

Component Unit Compensated Absences \$ 4,521

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 12 - LONG-TERM DEBT (CONTINUED)

The annual requirement to amortize all debt outstanding as of December 31, 2018, excluding compensated absences and other post-employment benefits are as follows:

Governmental Activities:

| Year Ending December 31 | Revenue Bonds | | Tax Increment Financing | | Total | |
|-------------------------|---------------------|---------------------|-------------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 582,676 | \$ 186,167 | \$ 137,980 | \$ 60,420 | \$ 720,656 | \$ 246,587 |
| 2020 | 563,870 | 171,515 | 143,790 | 54,610 | 707,660 | 226,125 |
| 2021 | 544,311 | 157,620 | 149,917 | 48,483 | 694,228 | 206,103 |
| 2022 | 546,670 | 171,213 | 156,378 | 42,022 | 703,048 | 213,235 |
| 2023 | 562,209 | 155,672 | 134,577 | 35,209 | 696,786 | 190,881 |
| 2024 - 2028 | 2,100,874 | 613,352 | 543,223 | 70,577 | 2,644,097 | 683,929 |
| 2029 - 2033 | 1,869,197 | 386,184 | - | - | 1,869,197 | 386,184 |
| 2034 - 2036 | 1,219,982 | 78,679 | - | - | 1,219,982 | 78,679 |
| | <u>\$ 7,989,789</u> | <u>\$ 1,920,402</u> | <u>\$ 1,265,865</u> | <u>\$ 311,321</u> | <u>\$ 9,255,654</u> | <u>\$ 2,231,723</u> |

Business-type Activities:

| Year Ending December 31 | Revenue Bonds | |
|-------------------------|----------------------|----------------------|
| | Principal | Interest |
| 2019 | \$ 1,053,283 | \$ 1,452,779 |
| 2020 | 1,145,430 | 1,141,559 |
| 2021 | 1,057,635 | 1,103,963 |
| 2022 | 1,084,450 | 1,070,363 |
| 2023 | 1,114,413 | 1,031,337 |
| 2024 - 2028 | 5,631,607 | 4,398,808 |
| 2029 - 2033 | 6,244,529 | 3,183,035 |
| 2034 - 2038 | 5,652,319 | 1,473,216 |
| 2039 - 2040 | 1,480,000 | 167,625 |
| | <u>\$ 24,463,666</u> | <u>\$ 15,022,685</u> |

NOTE 13 - CONDUIT DEBT

In the current year, the City issued revenue bonds to provide financial assistance to Capital Area Counseling Service, Inc to finance the construction of a health treatment and addiction treatment office building which 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, 2018, there was one series of conduit bonds outstanding, there had been no funds drawn down there was no unpaid principal balance.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 14 - OPERATING LEASE

The City was assigned a lease related to the purchase of a building from the Pierre Economic Development Company (PEDCO). The original lease was for five-years between the PEDCO and Eagle Creek Software Services dated June 30, 2014 ending June 30, 2019. The assignment took place in October of 2017. The City will receive monthly lease payments of \$20,411, which will increase to \$20,811 in the last year of the lease. Revenues related to this lease for the year ended December 31, 2018 were \$244,927 and were receipted to the General Fund. In June of 2019, the City entered into a three-year lease with Eagle Creek Software Services beginning July 1st, 2019 ending June 30, 2022. The City will receive monthly lease payments of \$7,450. Future minimum lease payments are expected to be as follows:

| | |
|------|-----------|
| 2019 | \$167,136 |
| 2020 | 84,540 |
| 2021 | 84,540 |
| 2022 | 42,270 |

The City entered into a five-year lease for 50 golf carts on March 1, 2018. The lease requires 30 monthly payments (May-October every year) of \$5,314, including interest of 3.8%. Future minimum rents are \$31,883 annually until 2022.

NOTE 15 - INTERFUND TRANSFERS

Transfers for 2018 were as follows:

| <u>Transfers From:</u> | <u>Transfers In:</u> | | | | | | | | <u>Total</u> |
|--------------------------|----------------------|---------------------------------|-------------------------|----------------------|-------------------------|---------------------|---------------------------------|-------------------------------|---------------------|
| | <u>General Fund</u> | <u>Capital Improvement Fund</u> | <u>Special Tax Fund</u> | <u>Electric Fund</u> | <u>Waste Water Fund</u> | <u>Airport Fund</u> | <u>Other Governmental Funds</u> | <u>Other Enterprise Funds</u> | |
| Special Tax Fund | \$ 262,133 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 262,133 |
| Capital Improvement Fund | 379,084 | - | - | - | - | - | 786,591 | - | 1,165,675 |
| Other Governmental Funds | 40,845 | 590,544 | 79,487 | 371,501 | - | - | - | - | 1,082,377 |
| Electric Fund | 2,123,126 | - | - | - | 1,371,572 | 147,925 | - | - | 3,642,623 |
| Water Fund | - | 2,934 | - | - | - | - | - | - | 2,934 |
| Waste Water Fund | - | - | - | - | - | - | 7,212 | - | 7,212 |
| Other Enterprise Funds | - | - | - | - | 3,980 | - | - | 53,425 | 57,405 |
| | <u>\$ 2,805,188</u> | <u>\$ 593,478</u> | <u>\$ 79,487</u> | <u>\$ 371,501</u> | <u>\$ 1,375,552</u> | <u>\$ 147,925</u> | <u>\$ 793,803</u> | <u>\$ 53,425</u> | <u>\$ 6,220,359</u> |

All transfers were to subsidize operations within funds.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 16 - 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 defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of the 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 retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years contributory services. 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 investments earnings based on the investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 16 - RETIREMENT PLAN (CONTINUED)

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, 2018, 2017, and 2016 were \$540,673, \$529,917, and \$528,468 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, 2018, SDRS was 100.02% funded and accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2018 and reported by the City as of December 31, 2018 were as follows:

| | |
|---|--------------------|
| Proportionate Share of Total Pension Liability | \$ 52,837,540 |
| Less: Proportionate Share of Net Position Restricted for Pension Benefits | <u>52,847,613</u> |
| Proportionate Share of Net Pension Liability (Asset) | <u>\$ (10,073)</u> |

At December 31, 2018, the City reported a liability (asset) of \$(10,073) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the City's proportion was 0.43191260% which was a 0.0011947% decrease from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense (reduction of pension expense) of \$776,238. At December 31, 2018, 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 | \$ 380,730 | \$ - |
| Changes in Assumption | 2,557,409 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 761,299 |
| Changes in Proportion and Difference Between the Contributions and Proportionate Share of Contributions | 52,914 | 7,540 |
| Contributions Subsequent to the Measurement Date | <u>265,288</u> | <u>-</u> |
| | <u>\$ 3,256,342</u> | <u>\$ 768,839</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 16 - RETIREMENT PLAN (CONTINUED)

There is \$265,288 reported as deferred outflow 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, 2019. 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 | |
|------------------------|--------------|
| 2019 | \$ 1,387,599 |
| 2020 | 1,041,878 |
| 2021 | (123,400) |
| 2022 | (83,863) |
| 2023 | - |
| Thereafter | - |
| | \$ 2,222,215 |

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|--|
| Inflation | 2.25% |
| Salary Increases | Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expenses |

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2017, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2017.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 16 - 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 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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

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) | \$ 7,608,092 | \$ (10,073) | \$ (6,207,037) |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 16 - 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 17 - 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, 2018, 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 upon 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 |
|------|-------------------------|---------------------------------------|-------------------|---------------------------|
| 2018 | \$ 79,663 | \$ 1,447,242 | \$ 1,243,191 | \$ 283,714 |
| 2017 | 58,690 | 1,050,626 | 1,029,653 | 79,663 |
| 2016 | 245,582 | 1,228,780 | 1,415,672 | 58,690 |

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, 2018

NOTE 17 - 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 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 their exposure or type of coverage to the pool to provide coverage for general liability, officials' liability, automobile liability and damage, property damage and law enforcement liability.

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

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

| | |
|--|-----|
| End of City's first full year | 55% |
| End of City's second full year | 50% |
| End of City's third full year | 40% |
| End of City's fourth full year | 35% |
| End of City's fifth full year | 30% |
| End of City's sixth full year and thereafter | 20% |

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

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

As of December 31, 2018, the City's balance available to be refunded per the SDPAA was \$542,085 which was an increase of \$294,711 from the previous year. The change in the amount available for refund was accounted for as a decrease in the insurance expense. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenses.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 17 - RISK MANAGEMENT (CONTINUED)

The City carries the following coverages with SDPAA:

| Type | Limit | Deductible |
|----------------------------|--------------|------------|
| General Liability | \$ 2,000,000 | \$ - |
| Auto Liability | 2,000,000 | - |
| Auto Damage | 250,000 | - |
| Law Enforcement | 2,000,000 | 3,000 |
| Real and Personal Property | 105,000,000 | 1,000 |
| Equipment Breakdown | 105,000,000 | 15,000 |
| Cyber Liability | 400,000 | 10,000 |
| Flood | 10,000,000 | 10,000 |

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 for the past several 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.

NOTE 18 - 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 \$745,230 reported as landfill closure and post-closure care liability at December 31, 2018, 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 6.73% of the new landfill which opened in 2006. The City will recognize the remaining estimated cost of closure and post-closure care of approximately \$7.75 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 2018. 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 closure date of 2069. The ultimate capacity of the landfill is expected to be reached sometime after 2144. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 18 - CLOSURE AND POST-CLOSURE CARE COST (CONTINUED)

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, 2018, the City had contributed \$924,439 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 19 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description

The City's Post Employment Health Care Plan is a single-employer defined benefit healthcare plan which 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 prefund benefits as determined annually by the City.

Changes in Liability

For the year ended December 31, 2018, the beginning balance of OPEB liability was \$1,813,453. Total OPEB liability was determined as of the measurement date, which is January 1, 2018. The changes in total OPEB liability for 2018 were as follows:

| | | |
|--|----|------------------|
| Total OPEB Liability - December 31, 2017 | \$ | 1,813,453 |
| Changes for the Year: | | |
| Service Cost | | 65,504 |
| Interest on Total OPEB Liability | | 60,959 |
| Benefit Payments | | <u>(63,963)</u> |
| Total OPEB Liability - December 31, 2018 | \$ | <u>1,875,953</u> |

For the year ended December 31, 2018, the City recognized OPEB Expense of \$126,463. OPEB expense was determined as follows:

| | | |
|----------------------------------|----|----------------|
| Service Cost | \$ | 65,504 |
| Interest on Total OPEB Liability | | <u>60,959</u> |
| OPEB Expense | \$ | <u>126,463</u> |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 19 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and included 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 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, 2018 actuarial valuation was determined using the following assumptions:

- As an unfunded plan, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. The discount rate used is 3.30%
- The municipal bond rate assumption was set by considering the 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 RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- Medical trend rate was 6.25% for 2018 grading to 5.00% over 5 years.
- The future retiree participation rate was assumed to be 100% for pre-65 where the subsidy is available and 35% for pre-65 where the subsidy is not available.
- Annual salary increase and inflation rates used were:

| Service | General Inflation | Salary Increases |
|---------|----------------------|---------------------|
| All | 2.5% | 3.0% |

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:

| | 1% Decrease 2.3% | Current Discount Rate 3.3% | 1% Increase 4.3% |
|----------------------|---------------------|----------------------------------|---------------------|
| Total OPEB Liability | \$ 2,018,562 | \$ 1,875,953 | \$ 1,744,221 |

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 19 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)

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:

| | 1% Decrease 5.25% | Current Discount Rate 6.25% | 1% Increase 7.25% |
|----------------------|----------------------|-----------------------------------|----------------------|
| Total OPEB Liability | \$ 1,721,058 | \$ 1,875,953 | \$ 2,054,117 |

NOTE 20 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2018, the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the beginning net position has been restated to reflect the total OPEB liability. Net position and fund balances for major funds, governmental activities, and business-type activities as of January 1, 2018 are as follows:

| | Governmental Activities | Business-type Activities | | | |
|---|----------------------------|-----------------------------|---------------------|-----------------|------------------------------|
| Net Position, as Previously Reported | \$ 61,277,515 | \$ 85,535,618 | | | |
| Restatement for GASB 75 | (888,515) | (367,112) | | | |
| Net Position, as Restated | \$ 60,389,000 | \$ 85,168,506 | | | |
| | Water Fund | Electric Fund | Waste Water Fund | Airport Fund | Other Enterprise Funds |
| Net Position, as Previously Reported | \$ 13,774,325 | \$ 24,335,514 | \$ 10,195,759 | \$ 28,883,891 | \$ 8,210,687 |
| Restatement for GASB 75 | (78,358) | (119,883) | (51,631) | (42,591) | (74,649) |
| Net Position, as Restated | \$ 13,695,967 | \$ 24,215,631 | \$ 10,144,128 | \$ 28,841,300 | \$ 8,136,038 |

NOTE 21 - 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 December 31, 2020 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.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 22 - 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 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, 2018 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, 2018, this joint operation had total cash of \$100,143, of which the City deposits were 35%, or \$35,050.

NOTE 23 - PLEDGED REVENUES

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$266,369 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure. The bonds are payable solely from water customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$275,773. Principal and interest paid for the current year and total customer net revenue was \$178,757 and \$2,692,342, respectively.

The City has also pledged future electric customers' revenues, net of specified operating expenses, to repay \$19,675,000 in electric fund revenue bonds issued in 2010 and 2017. 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 2040. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$32,906,515. Principal and interest paid for the current year and total customer net revenue was \$1,708,893 and \$9,394,930, respectively.

The City has also pledged future sewer customers' revenues, net of specified operating expenses, to repay \$3,610,094 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 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,795,127. Principal and interest paid for the current year and total customer net revenue was \$2,739,489 and \$1,441,716, respectively.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2018

NOTE 24 - SIGNIFICANT CONTINGENCIES - LITIGATION

The City has been named as defendant in three legal cases. The City's legal counsel believes the City is only exposed to slight liability in one case and believes the plaintiffs have no support of the law in the other two cases. The City disputes liability and intends to vigorously defend its positions. The South Dakota Public Assurance Alliance (see Note 16) has retained outside counsel in both cases to defend the City. The City anticipates that the claims will be covered to the extent provided by the risk pool. Adjustments, if any, that might result from the resolution of these matters have not been reflected in the financial statements.

NOTE 25 - TAX ABATEMENTS RELATED TO TAX INCREMENT FINANCING (TIF) DISTRICTS

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 \$238,872 were received by the City and paid to project sponsors during 2018

NOTE 26 - SUBSEQUENT EVENTS

Subsequent to year-end, the City began a construction project for a new Boys and Girls Club. The estimated cost of the project is \$4.4 million, with an estimated completion date of 2020. The City received a grant for \$750,000 and the Boys and Girls Club will reimburse half of the net project costs, the rest will be paid for out of reserves.

During the year, the citizens of the City voted to construct a water treatment plant to replace the current well water supply and treat water from the Missouri River. The project is still in the design phase. Bonds will be issued in 2020 to fund the project.

Subsequent to the year-end, the City began the design of an outdoor pool, total cost expected to be \$16.5 million paid partially with donations.

Subsequent to the year-end, there was a failure of a waste water pipe. The City is working with an engineering firm for repairs. There is currently no estimated cost.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Pierre, South Dakota
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended December 31, 2018

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Positive (Negative) |
|---|-------------------|-------------------|--------------------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| General Property Taxes | \$ 3,094,414 | \$ 3,094,414 | \$ 3,059,914 | \$ (34,500) |
| General Sales and Use Taxes | 3,730,000 | 3,730,000 | 4,153,851 | 423,851 |
| Penalties and Interest on Delinquent Taxes | 4,000 | 4,000 | 12,630 | 8,630 |
| Licenses and Permits | 265,653 | 265,563 | 257,539 | (8,024) |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 100,000 | 560,002 | 159,837 | (400,165) |
| State Grants | 65,000 | 376,715 | 480,314 | 103,599 |
| State Shared Revenue: | | | | |
| Bank Franchise | 90,000 | 90,000 | 118,675 | 28,675 |
| Liquor Tax Reversion | 90,000 | 90,000 | 83,420 | (6,580) |
| Motor Vehicle Licenses (5%) | 105,000 | 105,000 | 109,691 | 4,691 |
| Local Government Highway and Bridge Fund | 320,000 | 320,000 | 320,709 | 709 |
| County Shared Receipts: | | | | |
| County Road Tax (25%) | 6,000 | 6,000 | 6,004 | 4 |
| Other | 12,000 | 12,000 | 10,985 | (1,015) |
| Charges for Goods and Services: | | | | |
| General Government | 1,524,232 | 1,524,232 | 1,993,628 | 469,396 |
| Public Safety | 45,737 | 45,737 | 18,071 | (27,666) |
| Health | 6,900 | 6,900 | 6,640 | (260) |
| Culture and Recreation | 668,100 | 668,100 | 630,430 | (37,670) |
| Cemetery | 41,000 | 41,000 | 49,026 | 8,026 |
| Fines and Forfeits: | | | | |
| Court Fines and Costs | 5,000 | 5,000 | 3,051 | (1,949) |
| Parking Meter Fines | 4,700 | 4,700 | 6,370 | 1,670 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 1,300 | 1,300 | 1,973 | 673 |
| Rentals | 43,985 | 43,985 | 275,051 | 231,066 |
| Special Assessments | - | - | 4,864 | 4,864 |
| Contributions From Private Sources | 4,000 | 4,000 | 7,669 | 3,669 |
| Other | 100,000 | 110,021 | 164,167 | 54,146 |
| TOTAL REVENUES | <u>10,327,021</u> | <u>11,108,669</u> | <u>11,934,509</u> | <u>825,840</u> |

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

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Positive (Negative) |
|---|---------------------|---------------------|--------------------------------|------------------------------------|
| | Original | Final | | |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Legislative | 97,167 | 112,439 | 106,818 | 5,621 |
| Elections | 10,600 | 11,260 | 11,260 | - |
| Financial Administration | 2,057,292 | 2,204,400 | 1,784,561 | 419,839 |
| Other | 1,584,607 | 2,740,298 | 2,668,873 | 71,425 |
| Public Safety: | | | | |
| Police | 2,587,785 | 2,599,141 | 2,532,085 | 67,056 |
| Fire | 476,142 | 484,600 | 401,600 | 83,000 |
| Public Works: | | | | |
| Highways and Streets | 1,780,192 | 1,797,447 | 1,795,516 | 1,931 |
| Cemeteries | 240,637 | 240,637 | 216,637 | 24,000 |
| Transit | 119,768 | 119,768 | 119,768 | - |
| Health and Welfare: | | | | |
| Health | 17,496 | 29,496 | 27,372 | 2,124 |
| Other | 43,260 | 43,260 | 43,260 | - |
| Culture and Recreation: | | | | |
| Recreation | 475,025 | 474,920 | 416,641 | 58,279 |
| Parks | 2,425,500 | 3,469,397 | 2,711,665 | 757,732 |
| Libraries | 740,560 | 747,360 | 747,459 | (99) |
| Conservation and Development: | | | | |
| Economic Development | 943,800 | 943,800 | 929,973 | 13,827 |
| TOTAL EXPENDITURES | <u>13,871,832</u> | <u>16,142,449</u> | <u>14,513,488</u> | <u>1,628,961</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(3,544,811)</u> | <u>(5,033,780)</u> | <u>(2,578,979)</u> | <u>2,454,801</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 2,040,845 | 3,062,408 | 2,805,188 | (257,220) |
| Sale of City Property | 73,500 | 73,500 | 79,099 | 5,599 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>2,114,345</u> | <u>3,135,908</u> | <u>2,884,287</u> | <u>(251,621)</u> |
| NET CHANGE IN FUND BALANCES | (1,430,466) | (1,897,872) | 305,308 | 2,203,180 |
| FUND BALANCE - BEGINNING | <u>5,479,458</u> | <u>5,479,458</u> | <u>5,479,458</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 4,048,992</u> | <u>\$ 3,581,586</u> | <u>\$ 5,784,766</u> | <u>\$ 2,203,180</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, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual (Budgetary Basis)</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|-------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes: | | | | |
| General Sales and Use Taxes | \$ 3,730,000 | \$ 540,000 | \$ 516,258 | \$ (23,742) |
| Investment Earnings | <u>1,300</u> | <u>1,000</u> | <u>3,897</u> | <u>2,897</u> |
| TOTAL REVENUES | <u>3,731,300</u> | <u>541,000</u> | <u>520,155</u> | <u>(20,845)</u> |
| EXPENDITURES | | | | |
| Debt Service | <u>943,800</u> | <u>278,963</u> | <u>278,963</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>943,800</u> | <u>278,963</u> | <u>278,963</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,787,500</u> | <u>262,037</u> | <u>241,192</u> | <u>(20,845)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>2,040,845</u> | <u>(262,133)</u> | <u>(182,646)</u> | <u>79,487</u> |
| NET CHANGE IN FUND BALANCES | 4,828,345 | (96) | 58,546 | 58,642 |
| FUND BALANCE - BEGINNING | <u>343,369</u> | <u>343,369</u> | <u>343,369</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 5,171,714</u> | <u>\$ 343,273</u> | <u>\$ 401,915</u> | <u>\$ 58,642</u> |

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, 2018

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 basis consistent with accounting principles generally accepted in the United States of America (GAAP).

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 budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis is 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 in budgetary basis. 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.

See independent auditor's report.

City of Pierre, South Dakota
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2018

| | |
|---|---------------------|
| Service Cost | \$ 65,504 |
| Interest on Total OPEB Liability | 60,959 |
| Benefit Payments | <u>(63,963)</u> |
| Net Change in Total OPEB Liability | 62,500 |
| Net OPEB Obligation - Beginning | <u>1,813,453</u> |
| Net OPEB Obligation - Ending | <u>\$ 1,875,953</u> |
| City's Covered-employee Payroll | 8,060,063 |
| Total OPEB Liability as a Percentage of Covered-employee Payroll | 23.27% |

See independent auditor's report.

City of Pierre, South Dakota
Schedule of Net Pension Liability (Asset)
For the Year Ended December 31, 2018

| Pension Plan | 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 |
|--------------|---------------------|--|--|-------------------------------------|---|--|
| SDRS | 12/31/2018 | 0.431913% | \$ (10,073) | \$ 8,472,104 | -0.12% | 100.02% |
| SDRS | 12/31/2017 | 0.433107% | (39,305) | 8,290,255 | -0.47% | 100.10% |
| SDRS | 12/31/2016 | 0.456733% | 1,542,797 | 8,170,878 | 18.88% | 96.89% |
| SDRS | 12/31/2015 | 0.454908% | (1,929,396) | 7,814,078 | -24.70% | 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.

City of Pierre, South Dakota
Schedule of Pension Contributions
For the Years Ended December 31

| Pension Plan | Year Ending | Statorily Required Contributions (a) | Contributions in Relation to the Statorily Required Contributions in (b) | Contribution Deficiency (Excess) (a-b) | Covered Employee Payroll (d) | Contributions as a Percentage of Covered Employee Payroll (b/c) |
|--------------|-------------|--------------------------------------|--|--|------------------------------|---|
| SDRS | 12/31/2018 | \$ 540,673 | \$ 540,673 | \$ - | \$ 8,506,337 | 6.36% |
| SDRS | 12/31/2017 | 529,917 | 529,917 | - | 8,318,683 | 6.37% |
| SDRS | 12/31/2016 | 528,468 | 528,468 | - | 8,295,292 | 6.37% |
| SDRS | 12/31/2015 | 508,955 | 508,955 | - | 7,988,543 | 6.37% |

See independent auditor's report.

SUPPLEMENTARY INFORMATION

City of Pierre, South Dakota
Combining Balance Sheet- Nonmajor Governmental Funds
December 31, 2018

| | <u>Occupancy Tax Fund</u> | <u>E-911 Fund</u> | <u>Library Trust Fund</u> |
|---|-------------------------------|-------------------|-------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 246,866 | \$ 164,783 | \$ 83,564 |
| Accounts Receivable, Net | 13,153 | - | - |
| Unbilled Accounts Receivable | - | - | - |
| Due From Other Governments | - | 70,046 | - |
| Inventory of Supplies | - | - | - |
| Restricted Cash and Cash Equivalents | - | - | - |
| TOTAL ASSETS | <u>\$ 260,019</u> | <u>\$ 234,829</u> | <u>\$ 83,564</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 17,710 | \$ 13,113 | \$ - |
| Payroll Liabilities | - | 1,771 | - |
| Revenue Collected in Advance | - | - | - |
| Total Liabilities | <u>17,710</u> | <u>14,884</u> | <u>-</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable Revenues | - | 48,540 | - |
| Fund Balances: | | | |
| Nonspendable | - | - | - |
| Restricted | - | 171,405 | 83,564 |
| Committed | 242,309 | - | - |
| Unassigned | - | - | - |
| Total Fund Balances | <u>242,309</u> | <u>171,405</u> | <u>83,564</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 260,019</u> | <u>\$ 234,829</u> | <u>\$ 83,564</u> |

| <u>Police Pistol Fund</u> | <u>Education Government Channel Fund</u> | <u>Perpetual Care Fund</u> | <u>Storm Drainage Fund</u> | <u>TIF Fund</u> | <u>Nonmajor Governmental Funds</u> |
|-------------------------------|--|--------------------------------|------------------------------------|-----------------|--|
| \$ - | \$ 71,856 | \$ - | \$ 286,310 | \$ - | \$ 853,379 |
| - | 19,412 | - | 10,519 | - | 43,084 |
| - | - | - | 56,245 | - | 56,245 |
| - | - | - | - | - | 70,046 |
| - | - | - | 101,813 | - | 101,813 |
| - | - | 54,464 | - | 888 | 55,352 |
| <u>\$ -</u> | <u>\$ 91,268</u> | <u>\$ 54,464</u> | <u>\$ 454,887</u> | <u>\$ 888</u> | <u>\$ 1,179,919</u> |
| | | | | | |
| \$ 239 | \$ 3,474 | \$ - | \$ 52,353 | \$ 888 | \$ 87,777 |
| - | - | - | - | - | 1,771 |
| - | - | - | 766 | - | 766 |
| <u>239</u> | <u>3,474</u> | <u>-</u> | <u>53,119</u> | <u>888</u> | <u>90,314</u> |
| | | | | | |
| - | - | - | 16,588 | - | 65,128 |
| | | | | | |
| - | - | 50,000 | 101,813 | - | 151,813 |
| - | - | 4,464 | 283,367 | - | 542,800 |
| - | 87,794 | - | - | - | 330,103 |
| <u>(239)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(239)</u> |
| <u>(239)</u> | <u>87,794</u> | <u>54,464</u> | <u>385,180</u> | <u>-</u> | <u>1,024,477</u> |
| | | | | | |
| <u>\$ -</u> | <u>\$ 91,268</u> | <u>\$ 54,464</u> | <u>\$ 454,887</u> | <u>\$ 888</u> | <u>\$ 1,179,919</u> |

City of Pierre, South Dakota
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2018

| | <u>Occupancy Tax Fund</u> | <u>E-911 Fund</u> | <u>Library Trust Fund</u> |
|---------------------------------------|-------------------------------|-------------------|-------------------------------|
| REVENUES | | | |
| Taxes: | | | |
| General Property Taxes | \$ - | \$ - | \$ - |
| General Sales and Use Taxes | 240,345 | - | - |
| Intergovernmental Revenue: | | | |
| State Grants | 19,700 | 497,098 | - |
| Federal Grants | - | - | - |
| State Shared Revenues: | | | |
| 911 Remittances | - | 215,808 | - |
| Charges for Goods and Services: | | | |
| General Government | - | - | - |
| Public Safety | - | 136,875 | - |
| Highways and Streets | - | - | - |
| Culture and Recreation | - | - | 13,567 |
| Fines and Forfeits: | | | |
| Library | - | - | 1,053 |
| Miscellaneous Revenues: | | | |
| Investment Earnings | 1,792 | 353 | 198 |
| Contributions From Private Sources | - | - | 4,017 |
| Other | 309 | 2,460 | - |
| TOTAL REVENUES | <u>262,146</u> | <u>852,594</u> | <u>18,835</u> |

| <u>Police Pistol Fund</u> | <u>Public/ Education Government Channel Fund</u> | <u>Perpetual Care Fund</u> | <u>Storm Drainage Fund</u> | <u>TIF Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------------------|--|--------------------------------|------------------------------------|-----------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 318,359 | \$ 318,359 |
| - | - | - | - | - | 240,345 |
| - | - | - | 7,327 | - | 524,125 |
| - | - | - | 54,953 | - | 54,953 |
| - | - | - | - | - | 215,808 |
| - | 177,242 | - | - | - | 177,242 |
| 1,800 | - | - | - | - | 138,675 |
| - | - | - | 483,857 | - | 483,857 |
| - | - | - | - | - | 13,567 |
| - | - | - | - | - | 1,053 |
| - | 975 | - | 2,085 | - | 5,403 |
| - | - | - | - | - | 4,017 |
| - | - | - | - | - | 2,769 |
| <u>1,800</u> | <u>178,217</u> | <u>-</u> | <u>548,222</u> | <u>318,359</u> | <u>2,180,173</u> |

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, 2018

| EXPENDITURES | <u>Occupancy Tax Fund</u> | <u>E-911 Fund</u> | <u>Library Trust Fund</u> |
|---|-------------------------------|-------------------|-------------------------------|
| General Government: | | | |
| Other | \$ - | \$ - | \$ - |
| Public Safety: | | | |
| Police | - | 1,113,422 | - |
| Public Works: | | | |
| Highways and Streets | - | - | - |
| Culture and Recreation: | | | |
| Libraries | - | - | 37,687 |
| Conservation and Development: | | | |
| Economic Development | 177,630 | - | - |
| Debt Service | - | - | - |
| Intergovernmental | | | |
| Capital Outlay | - | - | - |
| TOTAL EXPENDITURES | <u>177,630</u> | <u>1,113,422</u> | <u>37,687</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>84,516</u> | <u>(260,828)</u> | <u>(18,852)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | - | 211,294 | - |
| NET CHANGE IN FUND BALANCES | 84,516 | (49,534) | (18,852) |
| FUND BALANCE - BEGINNING | <u>157,793</u> | <u>220,939</u> | <u>102,416</u> |
| FUND BALANCE - ENDING | <u>\$ 242,309</u> | <u>\$ 171,405</u> | <u>\$ 83,564</u> |

| <u>Police Pistol Fund</u> | <u>Public/ Education Government Channel Fund</u> | <u>Perpetual Care Fund</u> | <u>Storm Drainage Fund</u> | <u>TIF Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------------------|--|--------------------------------|------------------------------------|-----------------|--|
| \$ - | \$ 182,285 | \$ - | \$ - | \$ - | \$ 182,285 |
| 1,582 | - | - | - | - | 1,115,004 |
| - | - | - | 134,024 | - | 134,024 |
| - | - | - | - | - | 37,687 |
| - | - | - | - | - | 177,630 |
| - | - | - | - | 238,872 | 238,872 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>344,399</u> | <u>-</u> | <u>344,399</u> |
| <u>1,582</u> | <u>182,285</u> | <u>-</u> | <u>478,423</u> | <u>238,872</u> | <u>2,229,901</u> |
| <u>218</u> | <u>(4,068)</u> | <u>-</u> | <u>69,799</u> | <u>79,487</u> | <u>(49,728)</u> |
| <u>-</u> | <u>(40,845)</u> | <u>-</u> | <u>(8,035)</u> | <u>(79,487)</u> | <u>82,927</u> |
| 218 | (44,913) | - | 61,764 | - | 33,199 |
| <u>(457)</u> | <u>132,707</u> | <u>54,464</u> | <u>323,416</u> | <u>-</u> | <u>991,278</u> |
| <u>\$ (239)</u> | <u>\$ 87,794</u> | <u>\$ 54,464</u> | <u>\$ 385,180</u> | <u>\$ -</u> | <u>\$ 1,024,477</u> |

City of Pierre, South Dakota
Combining Statement of Net Position - Nonmajor Enterprise Funds
December 31, 2018

| | Enterprise Funds | | Total Nonmajor Enterprise Funds |
|---------------------------------------|------------------|--------------------|--|
| | Garbage Fund | Landfill Fund | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 7,952 | \$ 146,870 | \$ 154,822 |
| Accounts Receivable, Net | - | 139,929 | 139,929 |
| Unbilled Accounts Receivable | - | 13,736 | 13,736 |
| Inventory of Supplies | 12,583 | 109,031 | 121,614 |
| Total Current Assets | <u>20,535</u> | <u>409,566</u> | <u>430,101</u> |
| Noncurrent Assets: | | | |
| Restricted Cash and Cash Equivalents | - | 1,079,917 | 1,079,917 |
| Net Pension Assets | 54 | 529 | 583 |
| Capital Assets: | | | |
| Land | - | 3,986,551 | 3,986,551 |
| Buildings and Infrastructure | - | 3,282,329 | 3,282,329 |
| Machinery and Equipment | 123,940 | 3,113,641 | 3,237,581 |
| Less: Accumulated Depreciation | <u>(116,240)</u> | <u>(3,169,583)</u> | <u>(3,285,823)</u> |
| Total Noncurrent Assets | <u>7,754</u> | <u>8,293,384</u> | <u>8,301,138</u> |
| TOTAL ASSETS | <u>28,289</u> | <u>8,702,950</u> | <u>8,731,239</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension-related Deferred Outflows | <u>29,052</u> | <u>161,279</u> | <u>190,331</u> |

| | Enterprise Funds | | |
|--|------------------|---------------------|--|
| | Garbage Fund | Landfill Fund | Total Nonmajor Enterprise Funds |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 592 | 46,745 | 47,337 |
| Accrued Wages Payable | 1,425 | 7,640 | 9,065 |
| Current Portion of Leave Due to Other Funds | 1,601 | 8,304 | 9,905 |
| Revenue Collected in Advance | - | - | - |
| | - | 323 | 323 |
| Total Current Liabilities | <u>3,618</u> | <u>63,012</u> | <u>66,630</u> |
| Noncurrent Liabilities: | | | |
| Accrued Leave Payable | 19,751 | 102,415 | 122,166 |
| Accrued Landfill Closure and Post-closure Costs | - | 717,969 | 717,969 |
| Net OPEB Liability | 10,311 | 101,216 | 111,527 |
| Total Noncurrent Liabilities | <u>30,062</u> | <u>921,600</u> | <u>951,662</u> |
| TOTAL LIABILITIES | <u>33,680</u> | <u>984,612</u> | <u>1,018,292</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related Deferred Inflows | 4,312 | 41,193 | 45,505 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 7,700 | 7,212,938 | 7,220,638 |
| Restricted for: | | | |
| SDRS Pension Purposes | 24,794 | 120,615 | 145,409 |
| Unrestricted | (13,145) | 504,871 | 491,726 |
| TOTAL NET POSITION | <u>\$ 19,349</u> | <u>\$ 7,838,424</u> | <u>\$ 7,857,773</u> |

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City of Pierre, South Dakota
Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

| | Enterprise Funds | | Total Nonmajor Enterprise Funds |
|--|------------------|---------------------|--|
| | Garbage Fund | Landfill Fund | |
| OPERATING REVENUE | | | |
| Charges for Goods and Services | \$ 83,014 | \$ 1,490,329 | \$ 1,573,343 |
| Miscellaneous | 661 | 166 | 827 |
| Total Operating Revenue | <u>83,675</u> | <u>1,490,495</u> | <u>1,574,170</u> |
| OPERATING EXPENSES | | | |
| Personal Services | 76,869 | 739,435 | 816,304 |
| Other Current Expenses | 50,383 | 527,064 | 577,447 |
| Materials (Cost of Goods Sold) | 5,432 | 186,060 | 191,492 |
| Depreciation | <u>12,394</u> | <u>282,811</u> | <u>295,205</u> |
| Total Operating Expenses | <u>145,078</u> | <u>1,735,370</u> | <u>1,880,448</u> |
| OPERATING INCOME (LOSS) | <u>(61,403)</u> | <u>(244,875)</u> | <u>(306,278)</u> |
| NON OPERATING REVENUE (EXPENSE) | | | |
| Investment Earnings | - | 31,893 | 31,893 |
| Rental Revenue | <u>-</u> | <u>100</u> | <u>100</u> |
| Total Nonoperating Revenue (Expense) | <u>-</u> | <u>31,993</u> | <u>31,993</u> |
| NET POSITION BEFORE TRANSFERS | (61,403) | (212,882) | (274,285) |
| Transfers In | <u>53,428</u> | <u>(57,408)</u> | <u>(3,980)</u> |
| CHANGE IN NET POSITION | (7,975) | (270,290) | (278,265) |
| NET POSITION - BEGINNING, AS RESTATED | <u>27,324</u> | <u>8,108,714</u> | <u>8,136,038</u> |
| NET POSITION - ENDING | <u>\$ 19,349</u> | <u>\$ 7,838,424</u> | <u>\$ 7,857,773</u> |

City of Pierre, South Dakota
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

| | Enterprise Funds | | Total Nonmajor Enterprise Funds |
|---|------------------|------------------|--|
| | Garbage Fund | Landfill Fund | |
| CASH FLOWS FROM (USED BY) | | | |
| OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 83,675 | \$ 1,462,279 | \$ 1,545,954 |
| Payments to Suppliers | (52,711) | (668,317) | (721,028) |
| Payments to Employees | (71,841) | (689,809) | (761,650) |
| Net Cash from (Used by) by Operating Activities | <u>(40,877)</u> | <u>104,153</u> | <u>63,276</u> |
| CASH FLOWS FROM (USED BY) | | | |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Due to (from) Other Funds | (4,599) | - | (4,599) |
| Transfers from (to) Other Funds | 53,428 | (57,408) | (3,980) |
| Net Cash from (Used by) Noncapital Operating Activities | <u>48,829</u> | <u>(57,408)</u> | <u>(8,579)</u> |
| CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Other Receipts | - | 100 | 100 |
| Purchase of Capital Assets | - | (188,295) | (188,295) |
| Net Cash from (Used by) Capital and Related Financing Activities | <u>-</u> | <u>(188,195)</u> | <u>(188,195)</u> |
| CASH FLOWS FROM (USED BY) | | | |
| INVESTING ACTIVITIES | | | |
| Cash Invested in Reserve Account | - | (90,426) | (90,426) |
| Cash Received for Interest | - | 31,893 | 31,893 |
| Net Used by Investing Activities | <u>-</u> | <u>(58,533)</u> | <u>(58,533)</u> |

| | Enterprise Funds | | |
|--|--------------------|-------------------|--|
| | Garbage Fund | Landfill Fund | Total Nonmajor Enterprise Funds |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 7,952 | (199,983) | (192,031) |
| BALANCE - BEGINNING | - | 346,853 | 346,853 |
| BALANCE - ENDING | <u>\$ 7,952</u> | <u>\$ 146,870</u> | <u>\$ 154,822</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED BY) OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | \$ (61,403) | \$ (244,875) | \$ (306,278) |
| Adjustments to Reconcile Operating Income to Net Cash from (Used by) Operating Activities: | | | |
| Depreciation Expense | 12,394 | 282,811 | 295,205 |
| Change in Assets and Liabilities: | | | |
| Accounts Receivables/Unbilled Receivables | - | (28,280) | (28,280) |
| Inventories | 3,392 | 44,589 | 47,981 |
| Pension Related Deferred Outflows | 4,157 | 40,863 | 45,020 |
| Accounts and Other Payables | (287) | (44,520) | (44,807) |
| Accrued Landfill Closure and Post-closure Cost | - | 44,736 | 44,736 |
| Accrued Wages Payable | 106 | 554 | 660 |
| Revenue Collected in Advance | - | 65 | 65 |
| Accrued Leave Payable | 274 | 3,195 | 3,469 |
| Pension Related Deferred Inflows | (40) | (392) | (432) |
| OPEB Liability | 369 | 3,823 | 4,192 |
| Pension-related Asset/Liability | 161 | 1,584 | 1,745 |
| NET CASH FROM (USED BY) OPERATING ACTIVITIES | <u>\$ (40,877)</u> | <u>\$ 104,153</u> | <u>\$ 63,276</u> |

City of Pierre, South Dakota
Statement of Cash Flows - Discretely Presented Component Unit
For the Year Ended June 30, 2018

| | <u>Housing and Redevelopment Commission</u> |
|--|---|
| OPERATING ACTIVITIES | |
| Receipts From Tenant Payments | \$ 180,549 |
| Payments to Employees | (215,822) |
| Payments to Others for Goods and Services | (227,296) |
| Housing Assistance Payments | <u>(522,369)</u> |
| Net Cash Used for Operating Activities | <u>(784,938)</u> |
| NONCAPITAL FINANCING ACTIVITIES | |
| Operating Grants Received | 726,158 |
| Other Revenue Received | <u>19,824</u> |
| Net Cash from Noncapital Financing Activities | <u>745,982</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Grants Received | 13,879 |
| Acquisition of Capital Assets | <u>(13,879)</u> |
| Net Cash From Capital and Related Financing Activities | <u>-</u> |
| INVESTING ACTIVITIES | |
| Cash Invested in Reserve Account | <u>2,367</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (36,589) |
| BALANCE - BEGINNING | <u>543,715</u> |
| BALANCE - ENDING | <u><u>\$ 507,126</u></u> |

See independent auditor's report.

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED
FOR OPERATING ACTIVITIES**

| | |
|---|----------------------------|
| Operating Loss | \$ (846,107) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Depreciation Expense | 80,957 |
| Accounts Receivable - Tenants | 752 |
| Accounts Receivable - Fraud Recovery | (1,320) |
| Prepaid Expenses | 749 |
| Inventories | 71 |
| Pension-related Assets | (24,134) |
| Accounts Payable | 175 |
| Accrued Expenses | 2,209 |
| Accrued Compensated Absences | (2,650) |
| Prepaid Rents | 527 |
| Other Current Liabilities | 4,071 |
| Tenant Security Deposits | (238) |
| | <hr/> |
| NET CASH USED FOR OPERATING ACTIVITIES | <u>\$ (784,938)</u> |

See independent auditor's report.

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City of Pierre, South Dakota
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2018

| | <u>Net Collected</u> |
|---|--------------------------|
| First Quarter 2018 | \$ 10,221 |
| Second Quarter 2018 | 11,221 |
| Third Quarter 2018 | 11,862 |
| Fourth Quarter 2018 | <u>1,387</u> |
| 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 - 2018 | <u>\$ 802,093</u> |
| Total Allowable PFC | \$ 2,070,789 |
| Net Collections to Date | <u>(802,093)</u> |
| Remaining Amount to Collect | <u>\$ 1,268,696</u> |

See independent auditor's report.

City of Pierre, South Dakota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

| CFDA Numbers | Cluster/Program Name | Pass-through Entity | Pass-through Entity Identifying Number | Amount |
|---|--|----------------------------|--|---------------------|
| <u>Department of Homeland Security</u> | | | | |
| 97 .036 | Disaster Grants - Public Assistance (Note 4) | SD Dept. of Public Safety | N/A | \$ 56,590 |
| 97 .039 | Hazard Mitigation Grant | SD Dept. of Public Safety | N/A | 150,000 |
| 97 .067 | Homeland Security Grant Program | SD Dept. of Public Safety | N/A | 10,000 |
| | Total Department of Homeland Security | | | <u>216,590</u> |
| <u>Department of Transportation</u> | | | | |
| 20 .106 | Airport Improvement Program (3-16-044-34, 35, 36, 37) | SD Dept. Transportation | N/A | 2,537,060 |
| 20 .219 | Recreational Trails Program | SD Dept. Transportation | N/A | 118,000 |
| | Total Federal Funding | | | <u>2,655,060</u> |
| <i>Highway Safety Cluster:</i> | | | | |
| 20 .600 | State and Community Highway Safety | SD Dept. of Public Safety | N/A | 23,209 |
| 20 .616 | National Priority Safety Programs | SD Dept. of Public Safety | N/A | - |
| | Total Highway Safety Cluster | | | <u>23,209</u> |
| | Total Department of Transportation | | | <u>2,678,269</u> |
| <u>Department of the Interior</u> | | | | |
| 15 .904 | Historic Preservation Fund Grants-in-aid | N/A | N/A | <u>8,845</u> |
| <u>General Services Administration</u> | | | | |
| 39 .003 | Donation of Federal Surplus Personal Property (Note 3) | SD Federal Property Agency | N/A | <u>460</u> |
| | Total Expenditures of Federal Awards | | | <u>\$ 2,904,164</u> |

See independent auditor's report.

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pierre and is 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, 2018, there were no amounts passed through to subrecipients.

NOTE 2: 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 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Pierre.

NOTE 4: This amount represents the amount of revenues received by the City in the current year.

NOTE 5: The City of Pierre has not elected to use the 10% de minimis cost rate.

See independent auditor's report.