

Municipality of Fort Pierre

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2020**

Municipality of Fort Pierre

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

To the Governing Board
Municipality of Fort 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, each major fund, and the aggregate remaining fund information of the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Municipality’s basic financial statements, and have issued our report thereon dated August 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality of Fort Pierre’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Fort Pierre’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Fort Pierre’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 Municipality’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality of Fort Pierre's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "CIO of LLC".

Chamberlain, South Dakota
September 2, 2021

Municipality of Fort Pierre, SD
Schedule of Findings
For the Year Ended December 31, 2020

Schedule of Prior Audit Findings

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings

There are no written current audit findings to report.



Independent Auditor's Report

To the Governing Board
Municipality of Fort Pierre, South Dakota

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 the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of Fort Pierre, South Dakota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note(s) 2 and 36 to the financial statements, in 2020, the Municipality implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has not resulted in a restatement of the net position as of January 1, 2020. Our opinions are not modified with respect to this (these) matter(s).

Other Matters

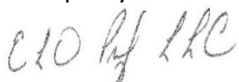
Required Supplementary Information

Accounting principles, generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipal Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Municipality's Contributions listed in the table of contents 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.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report September 2, 2021 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the effectiveness of the Municipality'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 Municipality's internal control over financial reporting and compliance.



Chamberlain, South Dakota
September 2, 2021

Municipality of Fort Pierre, SD
Statement of Net Position
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,085,791	\$ 3,005,096	\$ 5,090,887
Investments	388,974	--	388,974
Accounts receivable, net	528,988	376,058	905,046
Inventories	29,138	469,275	498,413
Land held for resale	95,332	--	95,332
Other assets	--	121,388	121,388
Restricted assets:			
Cash	955,209	376,492	1,331,701
Deposits	115,200	--	115,200
Net pension asset	1,336	738	2,074
Capital assets:			
Land	1,011,954	163,577	1,175,531
Other capital assets, net of depreciation	<u>13,528,863</u>	<u>11,512,576</u>	<u>25,041,439</u>
 Total Assets	 <u>18,740,785</u>	 <u>16,025,200</u>	 <u>34,765,985</u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>164,353</u>	<u>139,152</u>	<u>303,505</u>
Liabilities			
Accounts payable and other current liabilities	114,677	378,604	493,281
Noncurrent liabilities:			
Due within one year	378,382	73,706	452,088
Due in more than one year	<u>4,782,416</u>	<u>463,503</u>	<u>5,245,919</u>
 Total Liabilities	 <u>5,275,475</u>	 <u>915,813</u>	 <u>6,191,288</u>
Deferred Inflows of Resources:			
Pension related deferred inflows	<u>164,160</u>	<u>114,564</u>	<u>278,724</u>
Net Position			
Net investment in capital assets	9,417,295	11,292,794	20,710,089
Nonspendable	--	--	--
Restricted for:			
Debt services	903,058	37,238	940,296
Cemetery	31,927	--	31,927
Facility Replacement		339,254	339,254
Meter Deposits	--	121,388	121,388
Expo building	14,252	--	14,252
SDPPA risk pool	115,200	--	115,200
SDRS pension purposes	1,529	25,326	26,855
Unrestricted	<u>2,982,242</u>	<u>3,317,975</u>	<u>6,300,217</u>
 Total Net Position	 <u>\$ 13,465,503</u>	 <u>\$ 15,133,975</u>	 <u>\$ 28,599,478</u>

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

Municipality of Fort Pierre, SD
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General government	\$ 417,594	\$ 89,328	\$ 559,213	\$ 230,947	\$ --	\$ 230,947
Public safety	479,855	63,824	--	(416,031)	--	(416,031)
Public works	1,284,522	219,492	9,772	(1,055,258)	--	(1,055,258)
Health and welfare	26,110	450	--	(25,660)	--	(25,660)
Culture and recreation	1,116,161	42,288	--	(1,073,873)	--	(1,073,873)
Interest on long-term debt	127,012	--	--	(127,012)	--	(127,012)
Total Governmental Activities	3,451,254	415,382	568,985	(2,466,887)	--	(2,466,887)
Business-type Activities:						
Water	625,788	758,237	--	--	132,449	132,449
Electric	2,256,456	2,773,669	--	--	517,213	517,213
Sewer	581,151	521,667	--	--	(59,484)	(59,484)
Total Business-Type Activities	3,463,395	4,053,573	--	--	590,178	590,178
Total Primary Government	\$ 6,914,649	\$ 4,468,955	\$ 568,985	(2,466,887)	590,178	(1,876,709)
General Revenues:						
Taxes:						
Property tax				1,233,648	--	1,233,648
Sales tax				1,424,720	--	1,424,720
State shared revenues				111,594	--	111,594
Unrestricted investment earnings				13,391	1,845	15,236
Miscellaneous revenue				39,694	--	39,694
Total General Revenues and Transfers				2,823,047	1,845	2,824,892
Change in Net position				356,160	592,023	948,183
Net Position-Beginning of Year				13,109,343	14,541,952	27,651,295
Net Position-End of Year				\$ 13,465,503	\$ 15,133,975	\$ 28,599,478

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

Municipality of Fort Pierre, SD
Balance Sheet – Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,051,375	\$ 34,416	\$ 2,085,791
Investments	388,974	--	388,974
Taxes receivable:			
Delinquent	40,409	--	40,409
Accounts receivable	14,493	13,965	28,458
Special assessments receivable			
Delinquent	544	--	544
Teton Island	117,838	--	117,838
Due from county governments	18,755	--	18,755
Due from state government	158,195	923	159,118
Due from federal governments	163,866	--	163,866
Supply inventory	18,333	10,805	29,138
Land held for resale	95,332	--	95,332
Restricted cash	42,225	912,984	955,209
Restricted deposits	115,200	--	115,200
Total Assets	<u>3,225,539</u>	<u>973,093</u>	<u>4,198,632</u>
Liabilities and Fund Balances			
Accounts payable	32,983	--	32,983
Accrued wages payable	20,668	7,196	27,864
Unearned revenue	39,865	13,965	53,830
Total Liabilities	<u>93,516</u>	<u>21,161</u>	<u>114,677</u>
Deferred Inflows of Resources			
Property taxes	544	--	544
Special Assessments	118,382	--	118,382
Total Deferred Inflows of Resources	<u>118,926</u>	<u>--</u>	<u>118,926</u>
Fund Balances			
Nonspendable			
Inventory	113,665	--	113,665
SDPAA Deposit	115,200	--	115,200
Expo Building	14,252	--	14,252
Restricted			
Perpetual cemetery trust	--	31,927	31,927
Debt Service	14,479	888,579	903,058
Park	27,746	--	27,746
Assigned			
Firehall	47,500	--	47,500
Capital outlay accumulations	327,222	--	327,222
Cemetery improvements	--	14,408	14,408
Promotion of the city	--	17,018	17,018
Unassigned	2,353,033	--	2,353,033
Total Fund Balances	<u>3,013,097</u>	<u>951,932</u>	<u>3,965,029</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,225,539</u>	<u>\$ 973,093</u>	<u>\$ 4,198,632</u>

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

Municipality of Fort Pierre, SD
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 December 31, 2020

Total Fund Balances - Government Funds	\$ 3,965,029
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 resource and therefore is not reported in the funds.	1,336
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,540,817
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	164,353
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(5,160,798)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds.	118,926
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(164,160)</u>
Net Position - Governmental Funds	<u><u>\$ 13,465,503</u></u>

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

Municipality of Fort Pierre, SD
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes			
General property taxes	\$ 1,222,236	\$ 48,215	\$ 1,270,451
General sales taxes	1,307,832	116,384	1,424,216
Amusement taxes	504	--	504
Penalties and interest	2,617	198	2,815
Licenses and permits	42,231	--	42,231
Intergovernmental revenue			
Federal grants	368,609	--	368,609
State grants	9,772	--	9,772
State shared revenues	14,585	--	14,585
Bank franchise tax	5,266	--	5,266
Motor vehicle commercial prorate	15,005	--	15,005
Liquor tax reversion	38,739	--	38,739
Motor vehicles licenses	33,555	--	33,555
Local government highway and bridge	4,444	--	4,444
County shared revenues	--	--	--
Charges for goods and services			
General government	47,097	--	47,097
Highways and streets	63,484	--	63,484
Sanitation	560	--	560
Health	450	--	450
Culture and recreation	42,288	--	42,288
Fines and forfeits			
Court fines and costs	140	--	140
Parking fines	200	--	200
Miscellaneous revenue			
Investment earnings	11,588	1,803	13,391
Rentals	1,500	--	1,500
Special maintenance fee	218,932	--	218,932
Contributions	95,088	95,516	190,604
Other	29,287	--	29,287
Total Revenue	<u>\$ 3,576,009</u>	<u>\$ 262,116</u>	<u>\$ 3,838,125</u>

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

Municipality of Fort Pierre, SD
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2020 (Continued)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures:			
Current:			
General government:			
Executive	\$ 111,113	\$ --	\$ 111,113
Elections	1,806	--	1,806
Legal	59,315	--	59,315
Financial administration	143,881	--	143,881
Planning and zoning	39,376	--	39,376
Public safety:			
Police	338,576	--	338,576
Fire	105,193	--	105,193
Building inspection	13,555	--	13,555
Civil defense	1,852	--	1,852
Public works:			
Highways and streets	383,404	--	383,404
Sanitation	43,979	--	43,979
Transit	30,000	--	30,000
Health and welfare:			
Health	26,110	--	26,110
Culture and recreation:			
Recreation	86,721	--	86,721
Parks	344,973	--	344,973
Library	9,600	--	9,600
Expo building	4,355	--	4,355
Museum	351,741	--	351,741
Conservation and development:			
Dues and fees	2,083	1,934	4,017
BID board economic development	--	93,606	93,606
Economic development and assistance (industrial development)	--	116,003	116,003
Debt service	406,289	59,854	466,143
Capital outlay	484,572	--	484,572
Total Expenditures	<u>2,988,494</u>	<u>271,397</u>	<u>3,259,891</u>
Excess of Revenues Over (Under)			
Expenditures	<u>587,515</u>	<u>(9,281)</u>	<u>578,234</u>
Other Financing Sources:			
Long-term debt issued	251,294	--	251,294
Sale of fixed assets	8,907	--	8,907
Total Other Financing Sources	<u>260,201</u>	<u>--</u>	<u>260,201</u>
Net Change in Fund Balance	847,716	(9,281)	838,435
Fund Balances- Beginning of Year	<u>2,165,381</u>	<u>961,213</u>	<u>3,126,594</u>
Fund Balances - End of Year	<u>\$ 3,013,097</u>	<u>\$ 951,932</u>	<u>\$ 3,965,029</u>

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

Municipality of Fort Pierre, SD
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Government Funds \$ 838,435

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 484,572

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (953,537)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. 339,131

The issuance of long-term debt is an other financing source in the fund statements but an increase in the long-term liabilities on the government wide statements. (251,294)

Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises. (39,618)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (52,045)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (9,484)

Change in Net Position of Governmental Activities \$ 356,160

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

Municipality of Fort Pierre, SD
Statement of Net Position – Proprietary Funds
December 31, 2020

	Water Fund	Electric Fund	Sanitary Sewer Fund	Totals
Assets				
Current Assets:				
Cash and cash equivalents	\$ 606,420	\$ 2,215,938	\$ 182,738	\$ 3,005,096
Accounts receivable	68,794	255,337	50,060	374,191
Accounts receivable - Surcharge	--	--	1,226	1,226
NSF check receivables	--	641	--	641
Supply inventory	114,460	346,857	7,958	469,275
Total Current Assets	<u>789,674</u>	<u>2,818,773</u>	<u>241,982</u>	<u>3,850,429</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	--	339,254	37,238	376,492
Deposit	4,750	116,638	--	121,388
Capital assets:				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	3,885,262	--	4,637,068
Improvements other than buildings	3,054,323	5,142,880	8,385,368	16,582,571
Machinery and equipment	212,107	614,074	652,859	1,479,040
Accumulated depreciation	(2,574,782)	(4,163,567)	(4,610,414)	(11,348,763)
Construction in Progress	--	--	162,660	162,660
Total Capital Assets:	<u>1,471,041</u>	<u>5,594,648</u>	<u>4,610,464</u>	<u>11,676,153</u>
Net pension asset	194	473	71	738
Total Noncurrent Assets	<u>1,475,985</u>	<u>6,051,013</u>	<u>4,647,773</u>	<u>12,174,771</u>
Total Assets	<u>2,265,659</u>	<u>8,869,786</u>	<u>4,889,755</u>	<u>16,025,200</u>
Deferred Outflows of Resources:				
Pension related deferred outflows	<u>23,823</u>	<u>88,250</u>	<u>27,079</u>	<u>139,152</u>
Liabilities				
Current Liabilities:				
Accounts payable	12,858	176,155	37,425	226,438
Accrued wages	6,079	17,591	7,108	30,778
Customer deposits	4,750	116,638	--	121,388
Current portion of long term debt	5,317	5,317	63,072	73,706
Total Current Liabilities	<u>29,004</u>	<u>315,701</u>	<u>107,605</u>	<u>452,310</u>
Noncurrent Liabilities:				
Bonds payable:				
Revenue	--	--	309,653	309,653
Accrued leave payable	14,382	36,192	14,382	64,956
Other long-term debt	11,112	11,112	66,670	88,894
Total Noncurrent Liabilities	<u>25,494</u>	<u>47,304</u>	<u>390,705</u>	<u>463,503</u>
Total Liabilities	<u>54,498</u>	<u>363,005</u>	<u>498,310</u>	<u>915,813</u>
Deferred Inflows of Resources:				
Pension related deferred inflows	<u>25,102</u>	<u>64,932</u>	<u>24,530</u>	<u>114,564</u>
Net Position				
Net investment in capital assets	1,465,724	5,589,331	4,237,739	11,292,794
Restricted net position restricted for:				
Debt service	--	--	37,238	37,238
Facility replacement	--	339,254	--	339,254
Customer deposits	4,750	116,638	--	121,388
SDRS pension purposes	(1,085)	23,791	2,620	25,326
Unrestricted net position	740,493	2,461,085	116,397	3,317,975
Total Net Position	<u>\$ 2,209,882</u>	<u>\$ 8,530,099</u>	<u>\$ 4,393,994</u>	<u>\$ 15,133,975</u>

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

Municipality of Fort Pierre, SD
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:				
Charges for goods and services	\$ 758,237	\$ 2,773,669	\$ 521,667	\$ 4,053,573
Total Operating Revenues	<u>758,237</u>	<u>2,773,669</u>	<u>521,667</u>	<u>4,053,573</u>
Operating Expenses:				
Personal services	204,168	469,671	199,765	873,604
Other current expense	83,654	190,663	97,354	371,671
Materials	224,002	1,438,682	--	1,662,684
Depreciation	113,573	214,107	284,488	612,168
Total Operating Expenses	<u>625,397</u>	<u>2,313,123</u>	<u>581,607</u>	<u>3,520,127</u>
Operating Income (Loss)	<u>132,840</u>	<u>460,546</u>	<u>(59,940)</u>	<u>533,446</u>
Nonoperating Revenues:				
Investment earnings	--	1,845	--	1,845
Miscellaneous non-operating revenue (expense)	--	35,072	259	35,331
Interest expense	(641)	(641)	(15,891)	(17,173)
Gain/Loss on sale of fixed assets	250	22,236	16,088	38,574
Total Nonoperating Revenue	<u>(391)</u>	<u>58,512</u>	<u>456</u>	<u>58,577</u>
Net Income (Loss) Before Contributions	132,449	519,058	(59,484)	592,023
Net Change in Net Position	132,449	519,058	(59,484)	592,023
Net Position - Beginning of Year	<u>2,077,433</u>	<u>8,011,041</u>	<u>4,453,478</u>	<u>14,541,952</u>
Net Position - End of Year	<u>\$ 2,209,882</u>	<u>\$ 8,530,099</u>	<u>\$ 4,393,994</u>	<u>\$ 15,133,975</u>

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

Municipality of Fort Pierre, SD
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2020

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Receipt from customers	\$ 747,078	\$ 3,019,903	\$ 519,767	\$ 4,286,748
Payments to suppliers	(333,413)	(1,620,265)	(82,254)	(2,035,932)
Payments to employees	(186,130)	(426,329)	(180,439)	(792,898)
Net Cash Provided by Operating Activities:	<u>227,535</u>	<u>973,309</u>	<u>257,074</u>	<u>1,457,918</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(24,706)	(70,470)	(254,642)	(349,818)
Debt principal paid	(8,422)	(12,642)	(64,356)	(85,420)
Debt interest paid	(641)	(641)	(15,891)	(17,173)
Net Cash (Used) by Capital and Related Financing Activities:	<u>(33,769)</u>	<u>(83,753)</u>	<u>(334,889)</u>	<u>(452,411)</u>
Cash Flows from Investing Activities:				
Purchase of investments	--	--	(1,438)	(1,438)
Interest earnings	--	1,845	--	1,845
Net Cash Provided (Used) by Investing Activities	<u>--</u>	<u>1,845</u>	<u>(1,438)</u>	<u>407</u>
Net Increase in Cash and Cash Equivalents	193,766	891,401	(79,253)	1,005,914
Cash and Cash Equivalents - Beginning of Year	<u>412,654</u>	<u>1,324,537</u>	<u>261,991</u>	<u>1,999,182</u>
Cash and Cash Equivalents - End of Year	<u>\$ 606,420</u>	<u>\$ 2,215,938</u>	<u>\$ 182,738</u>	<u>\$ 3,005,096</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:				
Operating income (loss)	\$ 132,840	\$ 460,546	\$ (59,940)	\$ 533,446
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	113,573	214,107	284,488	612,168
Miscellaneous revenue (expense) and special assessments	--	35,072	259	35,331
(Increase) decrease in:				
Receivables	(11,159)	42,600	(2,159)	29,282
Inventories	11,636	(9,505)	435	2,566
Increase (decrease) in:				
Accounts and other payables	(37,393)	(16,487)	14,665	(39,215)
Pension related deferred inflows and inflows	9,557	23,222	10,253	43,032
Accrued wages and leave payable	7,731	20,120	9,073	36,924
Deposits	750	203,634	--	204,384
Cash Flows Provided by Operating Activities	<u>\$ 227,535</u>	<u>\$ 973,309</u>	<u>\$ 257,074</u>	<u>\$ 1,457,918</u>

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

Municipality of Fort Pierre, SD
Statement of Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 1,314
Other Assets	<u>114,608</u>
Total Assets	<u><u>\$ 115,922</u></u>
Liabilities:	
Amounts held for others	<u>\$ 115,922</u>
Total Liabilities	<u><u>\$ 115,922</u></u>

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

Municipality of Fort Pierre, SD
Statement of Changes in Net Position – Fiduciary Funds
December 31, 2020

	Custodial Funds
Additions:	
Property Tax Collections for Other Governments	\$ --
Other Assets	--
	--
Total Additions	\$ --
 Deductions:	
Payments of Property Tax to Other Governments	\$ --
	--
Total Deductions	\$ --
Change in Net Position	
Net Position - Beginning	\$ --
Net Position - Ending	\$ --

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

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the Municipality of Fort Pierre 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), 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.

The Municipality participates in two cooperative units. See detailed note entitled "Joint Ventures" for specific disclosures. 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 their relationship with the Municipality.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation: (continued)

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

The funds of the Municipality's financial reporting entity are described below:

Governmental Funds:

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

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

The remaining Special Revenue funds are not considered major funds: Liquor, Lodging, and dining Gross Receipts Tax Fund (SDCL 10-52A-2), 2nd% Sales & Use tax (SDCL 10-52-2), and TIF District No. 5.

Permanent Fund – 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 Municipality's programs – that is for the benefit of the Municipality and its citizenry.

Cedar Hill Cemetery Perpetual Care Fund – To account for the payments received for perpetual care of cemeteries which are 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.

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. The Municipality does not have any debt service funds.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation: (continued)

Proprietary Funds:

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

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

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

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

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

Fiduciary Funds:

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of property tax revenues and various pass-through funds.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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 fund, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type 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 fund types 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 Municipality of Fort Pierre that cycle is 60 days. The revenues which are accrued at December 31, 2016 are sales tax, real estate taxes, state-shared revenues, and miscellaneous other revenues.

Under the modified accrual basis of accounting, receivables may be measured but not available. Available means collectible within the current period or seen 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.

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.

All proprietary and fiduciary fund types 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.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

d. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with term to maturity at a date of acquisition of three months or less.

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.

e. 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 a significantly greater number of years than most capital assets.

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 Financial Statements:

Capital assets are recorded at historical cost. 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 to useful life of a capital asset are also capitalized.

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 Municipality. 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 USGAAP, while for capital assets used in business-type activities/proprietary fund operations, construction-period interest is capitalized; this is in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which reported as Unallocated Depreciation, 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.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

e. Capital Assets: (continued)

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	All	N/A	N/A
Improvements other than buildings	\$ 5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	20-33 years
Machinery and equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 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 outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

f. Long-Term Liabilities:

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 revenue bonds, capital leases, and other direct borrowings and direct placements.

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 financial statements.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

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

h. Deferred Inflows and Deferred Outflows 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.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified 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.

j. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

k. Equity Classifications:

Government-Wide Financial Statements:

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

1. 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.
2. 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.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “non-spendable”, “restricted”, “committed”, “assigned” and “unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net Position:

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

m. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from these estimates.

n. Subsequent Events:

The Municipality has assessed subsequent events through September 2, 2021, the date which the financial statements were available to be issued.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies: (Continued)

o. Fund Balance Classification Policies and Procedures:

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

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Finance Officer.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable forms such as inventory.
- Amount legally or contractually required to be maintained intact such as vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.
- Amount not in cash form such as long-term portion of notes receivable.

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

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

n. 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 (revenue), 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.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

2. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Municipality has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the City's year ending December 31, 2022.

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

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In General, SDCL 4-5-6 permits Municipality funds to be invested 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 Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

3. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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

As of December 31, 2020, the Municipality had the following investments:

Investments	Credit Rating	Maturity	Fair Value
Treasury Money market	N/A	N/A	\$ 355,343
Mutual Funds	N/A	1-5 Years	33,631
			\$ 388,974

The municipality has money market fund investments and mutual funds all at Level 2 holdings.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality’s deposits may not be returned to it. The municipality does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Municipality’s deposits in financial institutions were not exposed to custodial credit risk.

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

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

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

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

4. Receivables and Payables:

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

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

5. Restricted Cash and Investments:

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

	Amount:	Purpose:
	\$ 909,030	Debt services
	31,927	Cemetery
	376,492	Capital Projects
	14,252	Expo Building
Total Investments	\$ 1,331,701	
	\$ 115,200	For insurance
Total Deposits	\$ 115,200	

6. Inventory:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. The General Fund also owns certain plots of land which were acquired for industrial development and are held for resale.

Inventory of supplies or resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale 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 and land held for resale are offset by a fund balance "non-spendable" classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

7. Property Taxes:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

8. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

Governmental Activities:

	<u>Balance 1/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,011,954	\$ --	\$ --	\$ 1,011,954
Construction in progress	--	--	--	--
Total, not being depreciated	<u>1,011,954</u>	<u>--</u>	<u>--</u>	<u>1,011,954</u>
Capital assets, being depreciated				
Buildings	704,024	333,705	--	1,037,729
Improvements	20,635,642	109,417	--	20,745,059
Equipment	1,571,895	41,450	--	1,613,345
Total, being depreciated	<u>22,911,561</u>	<u>484,572</u>	<u>--</u>	<u>23,396,133</u>
Less accumulated depreciation for:				
Buildings	316,381	18,757	--	335,138
Improvements	7,692,141	842,606	--	8,534,747
Equipment	905,212	92,174	--	997,385
Total accumulated depreciation	<u>8,913,734</u>	<u>953,537</u>	<u>--</u>	<u>9,867,270</u>
Capital Assets Net	<u>\$ 15,009,781</u>	<u>\$ (468,965)</u>	<u>\$ --</u>	<u>\$ 14,540,817</u>

Depreciation expense was charged to functions as follows:

General government	\$ 574
Public safety	20,679
Public works	827,139
Culture and recreation	105,145
	<u>\$ 953,537</u>

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

8. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2020 is as follows: (continued)

Business-Type Activities:

Business-Type Activities:	<u>Balance 1/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2020</u>
Capital assets, not being depreciated:				
Land	\$ 163,577	\$ --	\$ --	\$ 163,577
CIP	--	162,660	--	162,660
Total, not being depreciated	<u>163,577</u>	<u>--</u>	<u>--</u>	<u>326,237</u>
Capital assets, being depreciated:				
Buildings	4,637,068	--	--	4,637,068
Improvements	16,442,339	140,232	--	16,582,571
Equipment	1,403,515	85,500	9,975	1,479,040
Total, being depreciated	<u>22,482,922</u>	<u>225,732</u>	<u>9,975</u>	<u>22,698,679</u>
Less accumulated depreciation for:				
Buildings	1,944,123	53,523	--	1,997,645
Improvements	7,958,908	476,281	--	8,435,189
Equipment	843,540	82,364	9,975	915,929
Total accumulated depreciation	<u>10,746,571</u>	<u>612,168</u>	<u>9,975</u>	<u>11,348,763</u>
Capital Assets Net	<u>\$ 11,899,928</u>	<u>\$ (386,436)</u>	<u>\$ --</u>	<u>\$ 11,676,153</u>

Depreciation expense was charged to functions as follows:

Water	\$ 113,573
Electric	214,107
Sanitary Sewer	<u>284,488</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 612,168</u>

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

9. Long-Term Debt:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Government Activities:					
Bonds Payable:					
Revenue	\$ 5,056,390	\$ --	\$ 274,871	\$ 4,781,519	\$ 278,437
Capital Leases	154,969	--	64,260	90,709	38,159
Direct Borrowings and Direct Placements	--	251,294	--	251,294	46,786
Total Debt	5,211,359	251,294	339,131	5,123,522	363,382
Accrued Leave	27,792	9,484	--	37,276	15,000
Total Governmental Activities	5,239,151	260,778	339,131	5,160,798	378,382
Business-Type Activities:					
Bonds Payable:					
Revenue	370,942	--	30,115	340,827	31,173
Capital Leases	172,733	--	41,306	131,427	42,533
Total Debt	543,675	--	71,421	472,254	73,706
Accrued Compensated Absences	53,265	11,690	--	64,955	14,000
Total Business-Type Activities	596,940	11,690	71,421	537,209	87,706
Total Primary Government	<u>\$ 5,836,091</u>	<u>\$ 272,468</u>	<u>\$ 410,552</u>	<u>\$ 5,698,007</u>	<u>\$ 466,088</u>

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

9. Long-Term Debt: (Continued)

Debt payable at December 31, 2020, is comprised of the following:

Government Activity Debt:

Governmental Activities:

Revenue bonds:

State Revolving Fund (SRF), Series 2011 Drainage ditch project	3% fixed; matures and final payment due July 1, 2031. This debt is serviced by the General Fund.	\$ 309,014
Series 2019 Sales Tax Revenue Bonds Current Refunding Series 2012 & 2014	2.75% fixed; matures and final payment due December 1, 2030. This debt is serviced by the General Fund.	2,872,505
Tax Increment District #5, Series 2019	3.740%-5.740%; depending on length to maturity of individual bonds, final payment due December 1, 2035.	<u>1,600,000</u>
Total Revenue Debt		4,781,519

Direct Borrowings and Direct Placements:

2020 Museum Project Fund	4.25%; matures and final payment due December 1, 2025.	251,294
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Capital Leases:

KS State Bank Capital Lease - The purchase price at commencement of financing was \$284,984 in 2017. Final payment is due February 2023	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate.	<u>90,709</u>
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Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund.	<u>37,276</u>
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Total Governmental Activities Debt		<u>5,160,798</u>
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Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

9. Long-Term Debt: (Continued)

Debt payable at December 31, 2020, is comprised of the following: (continued)

Business Activity Debt:

Business-type Activities:

Revenue bonds:

Series 2004 State Revolving Fund

3.5%; matures June 1, 2026. This debt will be repaid from the Sanitary Sewer Fund. \$ 154,122

Series 2014 State Revolving Fund

3.25%; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund. 186,705

Total Revenue Debt

340,827

American State Bank Capital Lease The purchase price at commencement of financing was \$280,828 in 2017. Final payment is due February 2023

The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate.

131,427

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.

64,955

Total Business Activity Debt

537,209

Grand Total

\$ 5,698,007

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

9. Long-Term Debt: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2020, except for compensated absences are as follows:

Governmental Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
	2021	\$ 278,437	\$ 146,031	\$ 38,159
2022	375,068	137,425	39,292	2,372
2023	386,418	126,075	13,258	1,206
2024	397,970	114,523	--	--
2025-2029	2,175,502	391,951	--	--
2030-2034	1,016,828	156,860	--	--
2035-2039	151,296	6,538	--	--
Total	<u>\$ 4,781,519</u>	<u>\$ 1,079,403</u>	<u>\$ 90,709</u>	<u>\$ 7,082</u>

Notes from Direct Borrowings and Direct Placements		Total	
Principal	Interest	Principal	Interest
\$ 46,786	\$ 9,968	\$ 363,382	\$ 159,503
47,942	8,812	462,302	148,609
50,007	6,746	449,683	134,027
52,150	4,604	450,120	119,127
54,409	2,344	2,229,911	394,295
--	--	1,016,828	156,860
--	--	151,296	6,538
<u>\$ 251,294</u>	<u>\$ 32,474</u>	<u>\$ 5,123,522</u>	<u>\$ 1,118,959</u>

Business-Type Activities:

As of December 31, 2020, the Municipality was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$114,608. The Municipality is not liable, directly nor indirectly for the preceding special assessments.

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2021	\$ 31,173	\$ 10,986	\$ 42,533	\$ 3,904	\$ 73,706
2022	32,267	9,891	43,797	2,640	76,064	12,531
2023	33,400	8,758	45,097	1,339	78,497	10,097
2024	34,573	7,585	--	--	34,573	7,585
2025-2029	77,278	25,551	--	--	77,278	25,551
2030-2034	37,933	18,627	--	--	37,933	18,627
2035-2039	44,597	11,963	--	--	44,597	11,963
2040-2044	49,606	4,128	--	--	49,606	4,128
TOTAL	<u>\$ 340,827</u>	<u>\$ 97,489</u>	<u>\$ 131,427</u>	<u>\$ 7,883</u>	<u>\$ 472,254</u>	<u>\$ 105,372</u>

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

10. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2020 was as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Debt service	\$ 903,058	\$ 37,238	\$ 940,296
Cemetery	31,927	--	31,927
Facility replacement	--	339,254	339,254
Customer deposits	--	121,388	121,388
Expo building	14,252	--	14,252
SDPPA risk pool	115,200	--	115,200
SDRS pension purposes	1,529	25,326	26,855
Total	<u>\$ 1,065,966</u>	<u>\$ 523,206</u>	<u>\$ 1,589,172</u>

11. Pension Plan:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 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 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.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

11. Pension Plan: (Continued)

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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% of salary; Class B Judicial Members, 9% of salary; Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018, and 2017 equal to the required contributions each year as follows:

2020	\$ 64,977
2019	\$ 62,276
2018	\$ 57,894

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

11. Pension Plan: (Continued)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	\$ 5,871,897
Less proportionate share of total pension restricted for pension benefits	<u>5,873,971</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,074)</u></u>

At December 31, 2020, the Municipality reported an asset of (\$2,074) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2020, the Municipality's proportion was .004776620%, which is a decrease of .0002248% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020 the municipality recognized pension expense of \$95,076. At December 31, 2020, the Municipality 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	\$ 7,936	\$ 1,625
Changes in assumption	66,821	269,491
Net Difference between projected and actual earnings on pension plan investments	192,812	--
Changes in proportion and difference between City contributions and proportionate share of contributions	2,574	7,608
City contributions subsequent to the measurement date	<u>33,362</u>	<u>--</u>
Total Revenues	<u><u>\$ 303,505</u></u>	<u><u>\$ 278,724</u></u>

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

11. Pension Plan: (Continued)

\$33,362 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

2021	\$ (24,873)
2022	(21,120)
2023	1,503
2024	35,909
	<u>\$ (8,581)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.14%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

11. Pension 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, 2020 (see 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>Expected Real Rate of Return</u>
Global equity	58.0%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100%</u>	

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

11. Pension Plan: (Continued)

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 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 to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 804,759	\$ (2,074)	\$ (662,049)

Pension Plan Fiduciary Net Position:

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

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

12. Risk Management:

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2020, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage, during the past three years.

Liability Insurance:

The Municipality 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 risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality'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 Municipality. The Municipality pays an annual Members' Annual Operating Contribution to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for automobile and general liability insurance.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

12. Risk Management: (Continued)

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 Municipality's First Full Year	55%
End of Municipality's Second Full Year	50%
End of Municipality's Third Full Year	40%
End of Municipality's Fourth Full Year	35%
End of Municipality's Fifth Full Year	30%
End of Municipality's Sixth Full Year and Thereafter	20%

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

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

As of December 31, 2020, the Municipality's balance available to be refunded per the SDPAA was \$115,200, which was an increase of \$5,033 from the previous year. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditure/expenses.

The Municipality carries a \$500-\$2,000 deductible for the property coverage, depending on the type of property.

The Municipality 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, during the past three years.

Unemployment Benefits:

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

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

13. Joint Ventures:

Exposition Building:

The Municipality participates in an undivided interest, known as Exposition Building, which is a joint operation between the Municipality of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during the winter months will be for hockey and multiple uses during other times of the year. Construction started in 1998 and was completed in 1999. Interest in the facility is as follows:

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

The Municipality's interest in the facility as of December 31, 2020 is reported as a capital asset. Hughes County is acting the CAPA Municipality of fiscal agent during the construction of the facility and currently, while the Municipality of Pierre acted in the CAPA Municipality of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2020, this joint venture had total fund equity of \$95,013.

Stanley County Law Enforcement:

Stanley County Law Enforcement, a joint venture, is intended to be a separate legal entity pursuant SDCL 1-24-19 and SDCL 9-12-4 for services including the enforcement of state and federal laws, county and Municipality ordinances and regulation. Membership to the Law Enforcement Board includes two Council members. The Municipality has an equity interest of 58% of the net assets. Separate financial statements for this joint venture are available from the Stanley County Auditor.

As of December 31, 2020, this joint venture had a total equity of \$60,137.

Since the Municipality of Fort Pierre maintains the accounting records and bank accounts of this entity it is included as a custodial fund in these financial statements.

14. Risk and Uncertainty:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the Municipality. The Municipality is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Municipality of Fort Pierre, SD
Notes to the Financial Statements
December 31, 2020

15. Implementation of New Standards:

As of January 1, 2020, the Municipality implemented GASB Statement No. 84, Fiduciary Activities (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the Custodial Funds. The implementation of this standard required the Municipality present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020, and to reclassify previously reported agency funds as custodial funds.

Required Supplementary Information

Municipality of Fort Pierre, SD
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 1,248,670	\$ 1,248,670	\$ 1,222,236	\$ (26,434)
General sales and use tax	1,136,757	1,136,757	1,307,832	171,075
Amusement tax	400	400	504	104
Penalties and interest on taxes	3,000	3,000	2,617	(383)
Licenses and permits	37,950	37,950	42,231	4,281
Intergovernmental:				
Federal grants	--	44,000	368,609	324,609
State grants	--	--	9,772	9,772
State shared revenues				
Bank franchise tax	13,500	13,500	14,585	1,085
Motor vehicle commercial prorate	5,000	5,000	5,266	266
Liquor tax reversion	12,500	12,500	15,005	2,505
Motor vehicle licenses (5%)	30,000	30,000	38,739	8,739
Local government highway and bridge fund	30,000	30,000	33,555	3,555
County Shared Revenue:				
County road tax (25%)	4,444	4,444	4,444	--
Charges for Goods and Services:				
General government	57,800	57,800	47,097	(10,703)
Highway and streets	111,385	111,385	63,484	(47,901)
Sanitation	1,100	1,100	560	(540)
Health	1,000	1,000	450	(550)
Culture and recreation	32,000	32,000	42,288	10,288
Fines and Forfeits:				
Court fines and costs	200	200	140	(60)
Parking Fines	500	500	200	(300)
Miscellaneous Revenue:				
Investment earnings	2,500	2,500	11,588	9,088
Rentals	--	--	1,500	1,500
Special maintenance fee	223,948	223,948	218,932	(5,016)
Contributions and donations	--	72,588	95,088	22,500
Other	--	--	29,287	29,287
Total Revenues	<u>2,952,654</u>	<u>3,069,242</u>	<u>3,576,009</u>	<u>506,767</u>

See accompanying Note to Budgetary Comparison Schedules

Municipality of Fort Pierre, SD
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2020 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
Mayor & council	\$ 114,542	\$ 114,542	\$ 111,113	\$ 3,429
Elections	1,500	2,000	1,806	194
Legal	60,000	63,500	59,315	4,185
Financial administration	154,851	154,851	143,881	10,970
Planning/zoning	58,807	58,807	39,376	19,431
Public Safety:				
Police	367,393	367,393	338,576	28,817
Fire	103,286	115,786	105,193	10,593
Building inspection	51,533	51,533	13,555	37,978
Civil defense	1,500	2,000	1,852	148
Public Works:				
Highways and streets	1,180,015	1,193,015	867,976	325,039
Sanitation	9,000	15,500	43,979	(28,479)
Transit	30,000	30,000	30,000	--
Health and Welfare:				
Health	26,110	26,110	26,110	--
Culture and Recreation:				
Recreation	124,171	139,171	86,721	52,450
Parks	333,530	412,118	344,973	67,145
Libraries	9,600	9,600	9,600	--
Expo building	--	--	4,355	(4,355)
Museums	45,250	365,250	351,741	13,509
Conservation and Development:				
Dues and fees	--	--	2,083	(2,083)
Debt Service	408,581	409,581	406,289	3,292
Total Expenditures	<u>3,079,669</u>	<u>3,530,757</u>	<u>2,988,494</u>	<u>542,263</u>
Excess of Revenues Over Expenditures	<u>(127,015)</u>	<u>(461,515)</u>	<u>587,515</u>	<u>1,049,030</u>
Other Financing Sources:				
Long-term debt issued	--	--	251,294	(251,294)
Sale of Municipal Property	--	--	8,907	(8,907)
Total Other Financing Sources	<u>--</u>	<u>--</u>	<u>260,201</u>	<u>(260,201)</u>
Net Changes in Fund Balance				
Changes in Nonspendable	(127,015)	(461,515)	847,716	788,829
Fund Balance, Beginning of Year	<u>2,165,381</u>	<u>2,165,381</u>	<u>2,165,381</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,038,366</u>	<u>\$ 1,703,866</u>	<u>\$ 3,013,097</u>	<u>\$ 788,829</u>

See accompanying Note to Budgetary Comparison Schedules.

Municipality of Fort Pierre, SD
Notes to the Required Supplementary Information
Notes to the Budgetary Comparison Schedule
For the Year Ended December 31, 2020

Note 1. Budgets and Budgetary Accounting:

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified accrual basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

Municipality of Fort Pierre, SD
Schedule of the Municipality's Contributions (SDRS)
Years Ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension asset	0.0477662%	0.0475414%	0.0449331%	0.0457912%	0.0479270%	0.4567700%
Municipality's proportionate share of net pension asset	\$ (2,074)	\$ (5,038)	\$ (1,048)	\$ (4,156)	\$ 161,893	\$ (193,729)
Municipality's covered-employee payroll	<u>1,048,324</u>	<u>1,010,828</u>	<u>934,119</u>	<u>930,382</u>	<u>911,329</u>	<u>833,927</u>
Municipality's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension asset	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented for each 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 Municipality.

**GASB Statement No. 68 requires ten year of information to be presented in this table. However, until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

Municipality of Fort Pierre, SD
Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset)
As of December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 64,977	\$ 62,276	\$ 57,894	\$ 56,709	\$ 53,802	\$ 52,031
Contributions in relation to the contractually required contribution	<u>64,977</u>	<u>62,276</u>	<u>57,894</u>	<u>56,709</u>	<u>53,802</u>	<u>52,031</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 1,082,944	\$ 1,037,939	\$ 964,893	\$ 945,144	\$ 896,703	\$ 867,173
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

**GASB Statement No. 68 requires ten year of information to be presented in this table. However, until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

Municipality of Fort Pierre, SD

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31,

Changes from Prior Valuation:

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA. Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation. Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.