

CITY OF NORTH SIOUX CITY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF NORTH SIOUX CITY
MUNICIPAL OFFICIALS
DECEMBER 31, 2019**

Mayor:

Randy Fredricksen

Governing Board:

Lesa Cropley

Kodi Benson

Dan Parks

Tena Carpenter

Nate Blaeser

Rodd Slater

Lonnie Green

Doug Berg

City Administrator:

Ted Cherry

Municipal Attorney:

Darrell Jesse

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QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT

City Council
City of North Sioux City
Union County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of December 31, 2019 and for the year then ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Units" paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component units.

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

Except for the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Housing and Redevelopment Commission (HRC) and the Economic Development Corp. (EDC) have not been audited, and we were not engaged to audit the HRC and EDC financial statements as part of the City's basic financial statements. HRC and EDC's financial activities are included in the City's basic financial statements as discretely presented component units and represent the assets, net position, and revenues of the City's discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component units of the City of North Sioux City. Accordingly, we do not express an opinion on those financial statements.

Unmodified 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 the City of North Sioux City, South Dakota as of December 31, 2019 and the respective changes in financial position, and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Pension Schedules and the Budgetary Comparison Schedules as 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 the 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 City 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Nonmajor Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, on our consideration of the City of North Sioux City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of North Sioux City's internal control over financial reporting and compliance.



Quam, Berglin and Post, P.C.
Certified Public Accountants
Elk Point, SD

July 31, 2020

**CITY OF NORTH SIOUX CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Unaudited Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development
ASSETS:					
Cash and Cash Equivalents	\$ 5,723,718.23	\$ 529,640.72	\$ 6,253,358.95	\$ 192,662.90	\$ 59,294.73
Investments	3,543,635.31	3,229,332.04	6,772,967.35		
Taxes Receivable	22,718.90		22,718.90		
Accounts Receivable, Net	11,631.40	124,683.09	136,314.49		260.63
Special Assessments Receivable - Current	42,154.51		42,154.51		
Notes Receivable	200,000.00		200,000.00		
Due From Government	61,263.78		61,263.78		
Due From Component Unit	189,561.56		189,561.56		
Inventory	28,869.45	110,040.74	138,910.19		
Restricted Deposits	111,950.00	56,275.14	168,225.14		
Prepaid Expenses	8,396.10	5,813.44	14,209.54		100.00
Net Pension Asset	6,071.75		6,071.75		
Capital Assets:					
Land and Construction Work in Progress	4,203,091.81	98,283.84	4,301,375.65		
Other Capital Assets, Net of Depreciation	18,710,500.22	13,192,502.38	31,903,002.60	2,000.00	
TOTAL ASSETS	32,863,563.02	17,346,571.39	50,210,134.41	194,662.90	59,655.36
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	270,644.56		270,644.56		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	270,644.56		270,644.56		

**CITY OF NORTH SIOUX CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Unaudited Component		
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment	Economic Development	Units
LIABILITIES:						
Accounts Payable	45,323.92	24,601.84	69,925.76			3,500.00
Accrued Wages Payable	29,108.54	11,539.93	40,648.47			
Accrued Other Payables		12,009.19	12,009.19			
Accrued Taxes Payable	9,731.73		9,731.73			
Customer Deposits Payable		81,916.22	81,916.22			
Unearned Revenue	200,000.00		200,000.00			
Noncurrent Liabilities:						
Due Within One Year	403,772.25	19,093.97	422,866.22			
Due in More than One Year	487,302.34		487,302.34			
TOTAL LIABILITIES	<u>1,175,238.78</u>	<u>149,161.15</u>	<u>1,324,399.93</u>			<u>3,500.00</u>
DEFERRED INFLOWS OF RESOURCES:						
Pension Related Deferred Inflows	139,487.10		139,487.10			
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>139,487.10</u>		<u>139,487.10</u>			
NET POSITION:						
Net Investment in Capital Assets	22,096,054.31	13,290,786.22	35,386,840.53			
Restricted for:						
Cumulative Reserve - SDPAA	111,950.00		111,950.00			
Economic Development and Promotion	237,063.42		237,063.42			
Public Services	2,603.95		2,603.95			
SDRS Pension Purposes	137,229.21		137,229.21			
Unrestricted	9,234,580.81	3,906,624.02	13,141,204.83	194,662.90	56,155.36	
TOTAL NET POSITION	<u>\$ 31,819,481.70</u>	<u>\$ 17,197,410.24</u>	<u>\$ 49,016,891.94</u>	<u>\$ 194,662.90</u>	<u>\$ 56,155.36</u>	

The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Unaudited		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Housing & Redevelopment	Economic Development	Component Units	
Primary Government:											
Governmental Activities:											
General Government	\$ 807,685.18	\$ 95.00	\$ 453,615.83	\$	\$ (353,974.35)	\$	\$ (353,974.35)	\$	\$		\$
Public Safety	1,032,783.77	46,583.11	2,139,182.89		1,152,982.23		1,152,982.23				
Public Works	1,404,565.07	99,249.98			(1,305,315.09)		(1,305,315.09)				
Health and Welfare	7,209.60				(7,209.60)		(7,209.60)				
Culture and Recreation	344,326.59	10,114.39			(334,212.20)		(334,212.20)				
Conservation & Development	298,816.18				(298,816.18)		(298,816.18)				
Miscellaneous		24,033.70		2,340.07	26,373.77		26,373.77				
*Interest on Long-Term Debt	17,513.28				(17,513.28)		(17,513.28)				
Total Governmental Activities	3,912,899.67	180,076.18	2,592,798.72	2,340.07	(1,137,684.70)		(1,137,684.70)				
Business-Type Activities:											
Water	709,222.84	929,055.92				219,833.08	219,833.08				
Sewer	1,228,068.54	1,197,220.42				(30,848.12)	(30,848.12)				
Garbage	183,375.81	152,436.15				(30,939.66)	(30,939.66)				
Total Business-Type Activities	2,120,667.19	2,278,712.49				158,045.30	158,045.30				
Total Primary Government	\$ 6,033,566.86	\$ 2,458,788.67	\$ 2,592,798.72	\$ 2,340.07	(1,137,684.70)	\$ 158,045.30	(979,639.40)				
Component Unit:											
Housing and Redevelopment	\$ 15,526.53										(15,526.53)
Economic Development	\$ 97,329.71		\$ 93,200.00								(4,129.71)
General Revenues:											
Taxes:											
Property Taxes					706,070.29		706,070.29				
Sales and Use Taxes					2,840,294.48		2,840,294.48				
State Shared Revenues					144,363.73		144,363.73				
Unrestricted Investment Earnings					49,771.25	26,601.17	76,372.42	2,148.79	1,245.67		
Miscellaneous Revenue					(50,000.00)		(50,000.00)		1,425.50		
Transfers					393,000.00		(393,000.00)				
Total General Revenues and Transfers					4,083,499.75	(366,398.83)	3,717,100.92	2,148.79	2,671.17		
Change in Net Position					2,945,815.05	(208,353.53)	2,737,461.52	(13,377.74)	(1,458.54)		
Net Position - Beginning					28,873,666.65	17,468,862.94	46,342,529.59	674,745.12	57,613.90		
Prior Period Adjustment						(63,099.17)	(63,099.17)	(466,704.48)			
Adjusted Net Position - Beginning					28,873,666.65	17,405,763.77	46,279,430.42	208,040.64	57,613.90		
Net Position - Ending					\$ 31,819,481.70	\$ 17,197,410.24	\$ 49,016,891.94	\$ 194,662.90	\$ 56,155.36		

The attached notes are an integral part of these financial statements.

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CITY OF NORTH SIOUX CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Major Funds				Nonmajor			Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Wildflower Bend Fund Debt Service	Military Road Fund Capital Project	Flynn Business Park Fund Capital Project	Other Governmental Fund		
ASSETS:								
Cash and Cash Equivalents	\$ 1,417,864.92	\$ 2,219,390.72	\$	\$ 333,097.62	\$	\$ 1,753,364.97	\$ 5,723,718.23	
Investments	2,481,696.98	804,842.45				257,095.88	3,543,635.31	
Taxes Receivable - Delinquent	22,718.90						22,718.90	
Accounts Receivable, Net	8,516.35					3,115.05	11,631.40	
Special Assessments Receivable - Current	42,154.51						42,154.51	
Notes Receivable	200,000.00						200,000.00	
Due from Other Funds	462,524.84						462,524.84	
Due From Government	47,304.18	10,717.49				3,242.11	61,263.78	
Due From Component Unit				166,000.00		23,561.56	189,561.56	
Inventory	28,869.45						28,869.45	
Restricted Deposits	111,950.00						111,950.00	
Prepaid Expenses	8,396.10						8,396.10	
TOTAL ASSETS	\$ 4,831,996.23	\$ 3,034,950.66	\$	\$ 333,097.62	\$ 166,000.00	\$ 2,040,379.57	\$ 10,406,424.08	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 7,935.26	\$ 780.00			\$	\$ 36,608.66	\$ 45,323.92	
Accrued Wages Payable	29,108.54						29,108.54	
Payroll Deductions and Withholdings and Employer Matching Payable	9,731.73						9,731.73	
Due to General Fund			62,487.49		118,354.83	281,682.52	462,524.84	
Unearned Revenue	200,000.00						200,000.00	
Total Liabilities	246,775.53	780.00	62,487.49		118,354.83	318,291.18	746,689.03	

	Major Funds				Nonmajor			Total Governmental Funds
	General Fund	Additional Sales Tax Fund	Wildflower Bond Fund Debt Service	Military Road Fund Capital Project	Flynn Business Park Fund Capital Project	Other Governmental Fund		
Deferred Inflows of Resources:								
Unavailable Revenue - Property Taxes	22,718.90							22,718.90
Unavailable Revenue - Special Assessments	42,154.51							42,154.51
Total Deferred Inflows of Resources	64,873.41							64,873.41
Fund Balances:								
NonSpendable:								
Inventory	28,869.45							28,869.45
Prepays	8,396.10							8,396.10
Notes Receivable	200,000.00							200,000.00
Cumulative Reserve - SDPAA	111,950.00							111,950.00
Restricted:								
Economic Development and Promotion								
Grant Revolving Loan								
Public Services								
Committed:								
Capital Improvement Additions		3,034,170.66		333,097.62	47,645.17	1,482,421.02		4,897,334.47
Assigned:								
Subsequent Year's Budget	276,230.00							276,230.00
Unassigned	3,894,901.74		(62,487.49)					3,832,414.25
Total Fund Balances	4,520,347.29	3,034,170.66	(62,487.49)	333,097.62	47,645.17	1,722,088.39		9,594,861.64
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,831,996.23	\$ 3,034,950.66	\$ (0.00)	\$ 333,097.62	\$ 166,000.00	\$ 2,040,379.57		\$ 10,406,424.08

The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balances - Governmental Funds \$ 9,594,861.64

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Assets:	\$ 32,568,568.30	
(Less) Accumulated Depreciation	<u>(9,654,976.27)</u>	22,913,592.03

Long-term liabilities, including loans payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.

Loans Payable	(817,537.72)	
Accrued Leave Payable	<u>(73,536.87)</u>	(891,074.59)

Assets such as taxes receivable (delinquent), special assessments receivable (current, delinquent and deferred) and certain notes receivables are not available to pay for current period expenditures and therefore are deferred in the funds but are revenue in the government-wide financial statements.

64,873.41

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

6,071.75

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

270,644.56

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.

(139,487.10)

Net Position - Governmental Funds

\$ 31,819,481.70

The attached notes are an integral part of these financial statements.

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CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds						Nonmajor		Total
	General Fund	Additional Sales Tax Fund	Wildflower Bend Fund Debt Service	Military Road Fund Capital Project	Flynn Business Park Fund Capital Project	Other Governmental Funds	Governmental Funds	Governmental Funds	
Revenues:									
Taxes:									
General Property Taxes	\$ 471,029.54	\$	\$ 7,467.80	\$	\$	\$	\$ 212,832.34	\$	\$ 691,329.68
General Sales and Use Taxes	2,160,093.91	540,026.47					140,174.10		2,840,294.48
Amusement Taxes	720.00								720.00
911 Telephone Surcharge							38,376.81		38,376.81
Penalties and Interest on Delinquent Taxes	1,122.78								1,122.78
Licenses and Permits	94,793.10								94,793.10
Intergovernmental Revenue:									
Federal Grants					453,615.83				453,615.83
State Grants	11,182.89			1,878,000.00	250,000.00				2,139,182.89
State Shared Revenue:									
Bank Franchise Tax	5,127.63								5,127.63
State Motor	4,438.39								4,438.39
Liquor Tax Reversion	16,599.15								16,599.15
Motor Vehicle Licenses (5%)	39,161.19								39,161.19
Local Government Highway and Bridge Fund	74,776.77								74,776.77
Other	4,260.60								4,260.60
County Shared Revenue:									
County Highway and Bridge Tax	7,913.72								7,913.72
County Wheel Tax	11,960.12								11,960.12
Charge for Services:									
General Government	95.00								95.00
Public Safety	30,470.26								30,470.26
Cemeteries	2,156.88								2,156.88
Culture and Recreation	8,370.00								8,370.00
Library	8,384.76								8,384.76
Fines and Forfeits:									
Court Fines and Costs	12,315.38								12,315.38
Library	1,744.39								1,744.39
Other	3,797.50								3,797.50

Miscellaneous Revenue:									
Investment Earnings	40,324.12	6,167.81						3,279.32	49,771.25
Rentals	24,033.70								24,033.70
Special Assessments	2,300.00								2,300.00
Contributions and Donations	7,020.80								7,020.80
Other	94,638.86				45.00				94,683.86
Total Revenue	3,138,831.44	546,194.28	1,878,000.00	7,467.80	703,660.83	394,652.57			6,668,816.92
Expenditures:									
General Government:									
Legislative	254,721.20								254,721.20
Elections	854.39								854.39
Financial Administration	184,411.66								184,411.66
Other	56,693.65								56,693.65
Total General Government	496,680.90								496,680.90
Public Safety:									
Police	862,359.70							74,904.24	937,263.94
Civil Defense	1,221.05								1,221.05
Total Public Safety	863,580.75						74,904.24		938,484.99
Public Works:									
Highways, Streets and Dike	845,695.04								845,695.04
Cemeteries	3,493.80								3,493.80
Total Public Works	849,188.84								849,188.84
Health and Welfare:									
Health	4,949.60								4,949.60
Total Health and Welfare	4,949.60								4,949.60
Culture and Recreation:									
Recreation	22,207.66								22,207.66
Senior Center	28,822.41								28,822.41
Parks	60,141.14								60,141.14
Libraries	173,992.56								173,992.56
Total Culture and Recreation	285,163.77								285,163.77
Conservation and Development:									
Economic Development and Assistance	50,109.88	73,528.86						95,247.88	218,886.62
Economic Opportunity	38,750.00							41,179.56	79,929.56
Total Conservation and Development	88,859.88	73,528.86					136,427.44		298,816.18

CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds						Nonmajor		Total
	General Fund	Additional Sales Tax Fund	Wildflower Bend Fund Debt Service	Military Road Fund Capital Project	Flynn Business Park Fund Capital Project	Other Governmental Funds	Other Governmental Funds	Governmental Funds	
Debt Service Capital Outlay	2,18,840.63	220,551.22	38,278.67	1,544,902.38	1,442,076.88	179,531.93	60,490.00	217,810.60	3,486,861.11
Total Expenditures	2,807,264.37	294,080.08	38,278.67	1,544,902.38	1,442,076.88	451,353.61		6,577,955.99	
Excess of Revenue Over (Under) Expenditures	331,567.07	252,114.20	(30,810.87)	333,097.62	(738,416.05)	(56,691.04)		90,860.93	
Other Financing Sources (Uses):									
Sale of Municipal Property	10,000.00					24,000.00		34,000.00	
Transfer In					714,223.05	1,560,274.84		2,274,497.89	
Transfer (Out)	(66,000.00)	(217,223.05)				(1,598,274.84)		(1,881,497.89)	
Total Other Financing Sources (Uses)	(56,000.00)	(217,223.05)			714,223.05	(14,000.00)		427,000.00	
Net Change in Fund Balances	275,567.07	34,891.15	(30,810.87)	333,097.62	(24,193.00)	(70,691.04)		517,860.93	
Fund Balance - Beginning	4,244,780.22	2,999,279.51	(31,676.62)		71,838.17	1,792,779.43		9,077,000.71	
FUND BALANCE - ENDING	\$ 4,520,347.29	\$ 3,034,170.66	\$ (62,487.49)	\$ 333,097.62	\$ 47,645.17	\$ 1,722,088.39		\$ 9,594,861.64	

The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 517,860.93

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

Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	2,647,258.71
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest and leave expenses)	(18,427.39)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	(49,702.68)
Governmental funds report property taxes, special assessments, and certain receivables as revenue when cash is received, but the Statement of Activities includes these items as revenues when earned.	12,897.80
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.	<u>(164,072.32)</u>

Change in Net Position of Governmental Activities \$ 2,945,815.05

The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Enterprise Funds			Totals
	Major Funds		Nonmajor Fund	
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 115,600.97	\$ 414,039.75	\$	\$ 529,640.72
Investments	1,530,172.19	1,699,045.67	114.18	3,229,332.04
Accounts Receivable, Net	61,503.39	41,905.19	21,274.51	124,683.09
Due from Other Funds	49,797.93			49,797.93
Inventory of Supplies	11,540.74	98,500.00		110,040.74
Prepaid Expenses	2,274.31	3,431.29	107.84	5,813.44
Total Current Assets	1,770,889.53	2,256,921.90	21,496.53	4,049,307.96
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	56,275.14			56,275.14
Capital Assets:				
Land	60,780.56	37,503.28		98,283.84
Buildings	2,216,651.22			2,216,651.22
Improvement other than Buildings	10,418,772.61	7,887,820.91		18,306,593.52
Machinery and Equipment	1,552,963.29	746,818.03		2,299,781.32
Less: Accumulated Depreciation	(5,346,971.35)	(4,283,552.33)		(9,630,523.68)
Total Noncurrent Assets	8,902,196.33	4,388,589.89		13,290,786.22
TOTAL ASSETS	10,729,361.00	6,645,511.79	21,496.53	17,396,369.32
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 8,665.99	\$ 15,935.85	\$	\$ 24,601.84
Due to Other Funds			49,797.93	49,797.93
Accrued Wages Payable	4,191.12	6,533.89	814.92	11,539.93
Accrued Other Payables	3,152.53	4,914.63	3,942.03	12,009.19
Customer Deposits	81,916.22			81,916.22
Accrued Leave Payable - Current	12,410.67	6,683.30		19,093.97
Total Current Liabilities	110,336.53	34,067.67	54,554.88	198,959.08
NET POSITION:				
Net Investment in Capital Assets	8,902,196.33	4,388,589.89		13,290,786.22
Unrestricted Net Position	1,716,828.14	2,222,854.23	(33,058.35)	3,906,624.02
Total Net Position	\$ 10,619,024.47	\$ 6,611,444.12	\$ (33,058.35)	\$ 17,197,410.24

The attached notes are an integral part of these financial statements.

CITY OF NORTH SIOUX CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds			Totals
	Major Funds		Nonmajor Fund	
	Water Fund	Sewer Fund	Garbage Fund	
<u>Operating Revenue:</u>				
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 923,401.63	\$ 1,193,204.44	\$	\$ 2,116,606.07
Charges for Goods and Services			152,302.95	152,302.95
Miscellaneous	<u>5,654.29</u>	<u>4,015.98</u>	<u>133.20</u>	<u>9,803.47</u>
Total Operating Revenue	<u>929,055.92</u>	<u>1,197,220.42</u>	<u>152,436.15</u>	<u>2,278,712.49</u>
<u>Operating Expenses:</u>				
Personal Services	166,947.51	250,903.99	25,835.22	443,686.72
Other Current Expense	214,594.70	692,823.57	157,540.59	1,064,958.86
Depreciation	<u>327,680.63</u>	<u>284,340.98</u>		<u>612,021.61</u>
Total Operating Expenses	<u>709,222.84</u>	<u>1,228,068.54</u>	<u>183,375.81</u>	<u>2,120,667.19</u>
Operating Income (Loss)	219,833.08	(30,848.12)	(30,939.66)	158,045.30
<u>Nonoperating Revenue (Expense):</u>				
Interest Income	9,927.15	16,559.84	114.18	26,601.17
Transfer In		120,000.00	37,000.00	157,000.00
Transfer (Out)	<u>(300,000.00)</u>	<u>(250,000.00)</u>		<u>(550,000.00)</u>
Total Nonoperating Revenue (Expense)	<u>(290,072.85)</u>	<u>(113,440.16)</u>	<u>37,114.18</u>	<u>(366,398.83)</u>
Change in Net Position	<u>(70,239.77)</u>	<u>(144,288.28)</u>	<u>6,174.52</u>	<u>(208,353.53)</u>
Net Position - Beginning	10,689,264.24	6,818,831.57	(39,232.87)	17,468,862.94
Prior Period Adjustment		<u>(63,099.17)</u>		<u>(63,099.17)</u>
Net Position - Adjusted Beginning	<u>10,689,264.24</u>	<u>6,755,732.40</u>	<u>(39,232.87)</u>	<u>17,405,763.77</u>
NET POSITION - ENDING	<u>\$ 10,619,024.47</u>	<u>\$ 6,611,444.12</u>	<u>\$ (33,058.35)</u>	<u>\$ 17,197,410.24</u>

The attached notes are an integral part of these financial statements.

**CITY OF NORTH SIOUX CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds			Totals
	Major Funds		Nonmajor Fund	
	Water Fund	Sewer Fund	Garbage Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Receipts from Customers	\$ 940,581.02	\$ 1,178,481.11	\$ 149,300.86	\$ 2,268,362.99
Cash Payments to Employees for Services	(169,341.49)	(253,058.73)	(25,604.95)	(448,005.17)
Cash Payments to Suppliers for Goods and Services	(213,956.72)	(681,460.64)	(156,507.00)	(1,051,924.36)
Net Cash Provided (Used) by Operating Activities	<u>557,282.81</u>	<u>243,961.74</u>	<u>(32,811.09)</u>	<u>768,433.46</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers (Out) In	(300,000.00)	(130,000.00)	37,000.00	(393,000.00)
Cash Loans From (To) Other Funds	(49,797.93)	53,986.84	(4,188.91)	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(349,797.93)</u>	<u>(76,013.16)</u>	<u>32,811.09</u>	<u>(393,000.00)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Purchase of Capital Assets		(18,923.19)		(18,923.19)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest Earnings	9,927.15	16,559.84	114.18	26,601.17
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 217,412.03</u>	<u>\$ 165,585.23</u>	<u>\$ 114.18</u>	<u>\$ 383,111.44</u>
Cash and Cash Equivalents at Beginning of Year	\$ 1,484,636.27	\$ 1,947,500.19	\$	\$ 3,432,136.46
Cash and Cash Equivalents at End of Year	<u>1,702,048.30</u>	<u>2,113,085.42</u>	<u>114.18</u>	<u>3,815,247.90</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 217,412.03</u>	<u>\$ 165,585.23</u>	<u>\$ 114.18</u>	<u>\$ 383,111.44</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 219,833.08	\$ (30,848.12)	\$ (30,939.66)	\$ 158,045.30
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Prior Period Adjustment		(63,099.17)		(63,099.17)
Depreciation Expense	327,680.63	284,340.98		612,021.61
Change in Assets and Liabilities:				
Receivables	8,721.94	44,359.86	(3,135.29)	49,946.51
Inventories	460.67	(5,308.92)		(4,848.25)
Prepaid Expenses	474.04	579.03	10.58	1,063.65
Accounts and Other Payables	(296.73)	16,092.82	1,023.01	16,819.10
Accrued Wages Payable	135.80	1,112.78	230.27	1,478.85
Accrued Leave Payable	(2,529.78)	(3,267.52)		(5,797.30)
Unearned Revenue	(643.51)			(643.51)
Customer Deposits	3,446.67			3,446.67
Net Cash Provided (Used) by Operating Activities	<u>\$ 557,282.81</u>	<u>\$ 243,961.74</u>	<u>\$ (32,811.09)</u>	<u>\$ 768,433.46</u>

The attached notes are an integral part of these financial statements.

CITY OF NORTH SIOUX CITY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity:

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

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

The Housing and Redevelopment Commission of North Sioux City, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the North Sioux City Housing and Redevelopment Commission, located in the City Hall of the City of North Sioux City, 504 River Drive, North Sioux City, SD 57049.

The Economic Development Corporation of North Sioux City, South Dakota is a proprietary fund-type, discretely presented component unit. The seven members of the Corporation are appointed by the Economic Development and it elects its own chairperson and recruits and employs its own management personnel. The City's Governing Board, though, retains the statutory authority to issue and hold debt for the Corporation, which gives the Corporation the ability to impose specific financial burdens on the City of North Sioux City. Separately issued financial statements of the Economic Development Corporation may be obtained from the North Sioux City Economic Development Corporation, PO Box 1516 North Sioux City, SD 57049.

The City is a member of the South Dakota Municipal League, the Siouxland Initiative, SECOG, Siouxland Chamber, Dakota Valley Business Council and the Siouxland Interstate Metropolitan Planning Council.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 City or it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 City financial reporting entity are described below:

Governmental Funds:

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

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Additional Sales Tax Fund – To account for the additional two percent sales tax, the proceeds of which are allocated eighty percent to the General Fund and twenty percent to be used only for capital improvements, land acquisition, and debt retirement. Only the designated twenty percent is accounted for in the Additional Sales Tax Fund. (City Ordinance 3.12.050) This is a major fund.

Liquor, Lodging and Dining Fund – To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition; architectural fees; construction costs; payments for civic center, auditorium or athletic facility building, including the maintenance, staffing and operations of such facilities; and the promotion and advertising for the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

911 Emergency Fund – A special revenue fund established from the collection of a telephone surcharge to be used by the Police Department for providing emergency services. This is not a major fund.

Grant Revolving Loan Fund – A special revenue fund established for the collection of grant proceeds and corresponding loan payment. This is not a major fund.

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

Westshore Drive Project Fund – Capital projects fund – to account for financial resources to be used for the construction of the West Shore Drive Project. This is a not a major fund.

Wildflower Bend TIF Projects Fund – Capital projects fund -- to be used to account for the construction of the Wildflower Bend TIF Project. This is a not a major fund.

Water Upgrades Project Fund – Capital projects fund -- to be used to account for the construction of water upgrades. This is not a major fund.

Streeter Drive Project Fund – Capital projects fund -- to be used to account for the construction of Streeter Drive upgrades. This is not a major fund.

Generators Project Fund – Capital projects fund -- to be used to account for the purchase of generators. This is not a major fund.

Sewer Upgrades Project Fund – Capital projects fund -- to be used to account for the construction of Sewer Upgrades. This is not a major fund.

Phase II Flynn Business Project Fund – Capital projects fund -- to be used to account for the construction of the Flynn Business Project. This is a major fund.

Military Road Project Fund – Capital projects fund -- to be used to account for the construction of the Military Road bridge. This is a major fund.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

River Valley Tax Increment Financing District Fund – A debt service fund to be used to account for the accumulation of resources for and the payment of, general long-term debt principal financed by and payable to the bank which holds the note for the developer of the River Valley TIF project. This is not a major fund.

Wildflower Bend TIF Fund – A debt service fund to be used to account for the accumulation of resources for and the payment of, general long-term debt principal financed by and payable to the bank which holds the note for the Wildflower Bend Project. This is a major fund.

Proprietary Funds:

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

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.

Garbage Fund – Financed primarily by user charges, this fund accounts for the operation of the garbage collection service. This is not a major fund.

c. **Measurement Focus and Basis of Accounting:**

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

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 types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 City of North Sioux City, the length of that cycle is 45 days. The revenues which were accrued at December 31, 2019, are taxes receivable, amounts due from other governments for grants, and other receivables due within 45 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources 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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance classification account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Deposits and Investments:

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

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 investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. Capital Assets:

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

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 the government-wide or fund financial statements.

Government-Wide Statements:

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

The total December 31, 2019 balance of governmental activities capital assets includes approximately 0.94% for which the costs were determined by estimates of the original costs. The total December 31, 2019 balance of capital assets for business-type activities are valued at original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 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's operations, construction period interest is capitalized 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 is 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.

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	NA	NA
Improvements other than Buildings	\$ 50,000	Straight Line	8-30 years
Buildings	50,000	Straight Line	8-75 years
Machinery and Equipment	5,000	Straight Line	5-40 years

Land is an inexhaustible capital asset and 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 used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of state revolving loans, notes payable, and compensated absences.

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

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the City considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

I. Equity Classifications:

Government-wide 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 acquisition, 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 “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

- **Nonspendable** – 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, or committed. Fund Balance may be assigned by the Municipal Council.
- **Unassigned** – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

o. 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. City and net pension liability (asset) are recognized on an accrual basis of accounting.

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

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

Investments – In general, SDCL 4-5-6 permits City 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.

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

As of December 31, 2019, the City had the following investments:

External Investment Pools:

	<u>Credit Rating</u>	<u>Value</u>
SDFIT - GCR	Unrated	\$829,743.25

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

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

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

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 City's policy is to credit all income from investments to the fund making the investment.

3. Receivables and Payables

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year, except for \$200,000.00 of receivables related to economic development loans and note receivable described in Note 11.

4. Inventory

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

Inventory acquired for 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 held for resale 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 governmental fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Property Taxes

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

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

6. Changes In General Capital Assets

A summary of changes in capital assets for the year ended December 31, 2019 is as follows:

	<u>Balance 01/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Governmental Activities:				
Land	\$ 959,877.55	\$	\$	\$ 959,877.55
Land Held for Sale	195,745.00			195,745.00
Construction in Progress	785,746.60	3,282,058.86	(1,020,336.20)	3,047,469.26
Total Capital Assets, not being Depreciated	<u>1,941,369.15</u>	<u>3,282,058.86</u>	<u>(1,020,336.20)</u>	<u>4,203,091.81</u>
Capital Assets, being Depreciated:				
Buildings	7,020,976.06			7,020,976.06
Improvements, other than Buildings	17,404,018.64	1,149,866.20		18,553,884.84
Machinery and Equipment	2,741,467.34	75,272.25	(26,124.00)	2,790,615.59
Total Capital Assets, being Depreciated	<u>27,166,462.04</u>	<u>1,225,138.45</u>	<u>(26,124.00)</u>	<u>28,365,476.49</u>
Less Accumulated Depreciation for:				
Buildings	1,413,073.45	146,154.64		1,559,228.09
Improvements, other than Buildings	5,363,305.81	516,841.80		5,880,147.61
Machinery and Equipment	2,065,118.58	176,605.99	(26,124.00)	2,215,600.57
Total Accumulated Depreciation	<u>8,841,497.84</u>	<u>839,602.43</u>	<u>(26,124.00)</u>	<u>9,654,976.27</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>18,324,964.20</u>	<u>385,536.02</u>		<u>18,710,500.22</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 20,266,333.35</u>	<u>\$ 3,667,594.88</u>	<u>\$ (1,020,336.20)</u>	<u>\$ 22,913,592.03</u>

Depreciation expenses were charged to functions as follows:

General Government	\$ 146,931.96
Public Safety	94,298.78
Public Works	536,948.84
Health and Welfare	2,260.00
Culture and Recreation	59,162.85
Total Depreciation Expense, Governmental Activities	<u>\$ 839,602.43</u>

Construction Work in Progress at December 31, 2019 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/2019</u>	<u>Committed</u>
Governmental Activities:			
Water Supply Improvements	\$ 346,000.00	\$ 60,490.00	\$ 285,510.00
Military Road Bridge	1,777,834.73	1,544,902.38	232,932.35
Flynn Business Park Phase II	1,465,047.98	1,442,076.88	22,971.10
Total Governmental Activities	<u>\$ 3,588,882.71</u>	<u>\$ 3,047,469.26</u>	<u>\$ 541,413.45</u>

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Business-Type Activities:				
Capital Assets, not being Depreciated				
Land	\$ 98,283.84	\$	\$	\$ 98,283.84
Total Capital Assets, not being Depreciated	<u>98,283.84</u>			<u>98,283.84</u>
Capital Assets, being Depreciated:				
Buildings	2,216,651.22			2,216,651.22
Machinery and Equipment	2,280,858.13	18,923.19		2,299,781.32
Improvements Other than Building	18,306,593.52			18,306,593.52
Total	<u>22,804,102.87</u>	<u>18,923.19</u>		<u>22,823,026.06</u>
Less Accumulated Depreciation for:				
Buildings	549,672.67	30,775.67		580,448.34
Machinery and Equipment	1,363,032.85	83,342.54		1,446,375.39
Improvements Other than Building	7,105,796.55	497,903.40		7,603,699.95
Total Accumulated Depreciation	<u>9,018,502.07</u>	<u>612,021.61</u>		<u>9,630,523.68</u>
Total Business-Type Activities Capital Assets, being depreciated, net	<u>13,785,600.80</u>	<u>(593,098.42)</u>		<u>13,192,502.38</u>
Business-Type Activity, Capital Assets, net	<u>\$ 13,883,884.64</u>	<u>\$ (593,098.42)</u>	\$	<u>\$ 13,290,786.22</u>

Depreciation expense was charged to functions as follows:

Water	\$ 327,680.63
Sewer	<u>284,340.98</u>
Total Depreciation Expense, Business-Type Activities	<u>\$ 612,021.61</u>

7. Long-Term Liabilities

A summary of changes in long-term liabilities follows:

	Balance 01/01/19	Additions	Retired	Balance 12/31/19	Due within One Year
Primary Government:					
Governmental Activities:					
TIF Loan - Wildflower Bend	\$ 305,473.59	\$	\$ (10,002.74)	\$ 295,470.85	\$ 10,502.87
TIF Loan - Wildflower Bend	223,961.44		(10,762.65)	213,198.79	10,864.43
TIF Loan - River Valley	488,400.01		(179,531.93)	308,868.08	308,868.08
Total Debt	<u>1,017,835.04</u>		<u>(200,297.32)</u>	<u>817,537.72</u>	<u>330,235.38</u>
SDRS Pension Liability					
Accrued Compensated Absences -					
Governmental Funds	55,109.48	73,536.87	(55,109.48)	73,536.87	73,536.87
Total Governmental Activities	<u>\$ 1,072,944.52</u>	<u>\$ 73,536.87</u>	<u>\$ (255,406.80)</u>	<u>\$ 891,074.59</u>	<u>\$ 403,772.25</u>
Business-Type Activities:					
Accrued Compensated Absences -					
Business-Type Funds	\$ 24,891.28	\$ 19,093.97	\$ (24,891.28)	\$ 19,093.97	\$ 19,093.97
Total Business - Type Activities	<u>\$ 24,891.28</u>	<u>\$ 19,093.97</u>	<u>\$ (24,891.28)</u>	<u>\$ 19,093.97</u>	<u>\$ 19,093.97</u>

Debt payable at December 31, 2019 is comprised of the following:

Governmental Activities:

TIF Loan - River Valley Project:

Pay-as-you-go financing due Developer for costs incurred for the TIF Development District Number 2. Repayment of the PAYG Note will be over the life of the TIF District, not to exceed 20 years, at a rate not to exceed 8.00%. Payments from the River Valley Tax Increment Financing District Debt Service Fund. \$ 308,868.08

TIF Bonds Series 2017B - Wildflower Bend Project:

Financing with Liberty National Bank for costs incurred for the TIF Development District Number 3. Maturity date of the bonds is July 1, 2037, at an interest rate of 5%. Payments will be from the Wildflower Bend TIF Debt Service Fund. 295,470.85

TIF Bonds Series 2017A - Wildflower Bend Project:

Financing with First Financial Bank for costs incurred for the TIF Development District Number 3. Maturity date of the bonds is July 1, 2037, at an interest rate of 1%. Payments will be from the Wildflower Bend TIF Debt Service Fund. 213,198.79

Compensated Absences:

Compensated absences of General Government Employees. 73,536.87

Business-Type Activities:

Compensated Absences:

Water Fund	12,410.66
Sewer Fund	6,683.31

Municipal employees accumulate a limited amount of earned but unused vacation time and sick leave for subsequent use or for payment upon termination, death, or retirement. A liability for the time and related benefits is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absence liability attributed to the governmental activities will be paid by the General Fund.

Annual requirements to amortize long-term debt, excluding compensated absences, at December 31, 2019 were:

Governmental Activities:

Year Ending	Wildflower TIF		River Valley TIF	Totals	
December 31,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 21,367.30	\$ 16,911.37	\$ 308,868.08	\$ 330,235.38	\$ 16,911.37
2021	22,006.94	16,271.74		22,006.94	16,271.74
2022	22,668.13	15,610.55		22,668.13	15,610.55
2023	23,357.98	14,920.70		23,357.98	14,920.70
2024	24,073.27	14,205.41		24,073.27	14,205.41
2025-2029	132,342.82	59,050.35		132,342.82	59,050.35
2030-2034	155,780.58	35,612.79		155,780.58	35,612.79
2035-2039	<u>107,072.62</u>	<u>7,763.39</u>		<u>107,072.62</u>	<u>7,763.39</u>
TOTAL	<u>\$ 508,669.64</u>	<u>\$ 180,346.30</u>	<u>\$ 308,868.08</u>	<u>\$ 817,537.72</u>	<u>\$ 180,346.30</u>

8. Operating Leases

The City is obligated under a lease accounted for as an operating lease. The lease is for a postage machine. Operating leases do not give rise to property rights or lease obligation. Payments of \$215.04 are made monthly from the General Fund.

The following are the minimum payments on the existing operating lease:

Postage Meters	
<u>Year</u>	<u>Amount</u>
2020	\$ 860.16
2021	860.16
TOTAL	<u><u>\$ 1,720.32</u></u>

9. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2019 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$462,524.84	\$
Liquor, Lodging & Dining		281,171.42
Wildflower Bend TIF Fund		62,487.49
Water Fund	49,797.93	
Flynn Business Park II		118,354.83
911 Emergency		511.10
Garbage Fund		49,797.93
Total	<u><u>\$ 512,322.77</u></u>	<u><u>\$ 512,322.77</u></u>

The General Fund and the Water Fund loaned money for funding temporary cash shortages. The City plans to fund these cash shortages with a resolution to transfer by December 31, 2020.

10. Restricted Net Position

Restricted net position for the year ended December 31, 2019 was as follows:

<u>Major Purposes</u>	
Cumulative Reserve - SDPAA	\$ 111,950.00
Economic Development and Promotion	237,063.42
SDRS Pension Purposes	137,229.21
Public Safety Purposes	<u>2,603.95</u>
Total Restricted Net Position	<u><u>\$ 488,846.58</u></u>

These balances are restricted due to statutory requirements.

11. Notes Receivable

Union County has agreed to pay North Sioux City a total of \$550,000 for the city to take over responsibility of maintaining Northshore Drive. A payment of \$200,000 was initially made and \$50,000

payments will be made annually. This note is due to be paid in full in October 2023. Balance of this note was \$200,000 as of December 31, 2019.

The annual amounts to be received on the note receivable are as follows:

<u>Year</u>	<u>Union County</u>
2020	\$ 50,000.00
2021	50,000.00
2022	50,000.00
2023	50,000.00
Total	<u>\$ 200,000.00</u>

12. Pension Plan

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> 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 retirement benefits that do not meet the criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2019, 2018 and 2017 equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 74,657.37
2018	69,798.95
2017	67,670.18

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2019 and reported by the City as of December 31, 2019 are as follows:

Proportionate share of pension liability (asset)	\$ 7,140,281.17
Less proportionate share of net pension restricted for pension benefits	<u>7,146,352.93</u>
Proportionate share of net pension liability (asset)	<u>\$ (6,071.75)</u>

At December 31, 2019, the City reported a liability (asset) of (\$6,071.75) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the City's proportion was 0.05729550%, which is an increase (decrease) of 0.0019306% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense (reduction of pension expense) of \$164,072.32. At December 31, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 23,817.12	\$ 2,748.18
Changes in assumption	209,702.54	85,967.87
Net difference between projected and actual earnings on pension plan investments		34,978.35
Changes in proportion and difference between City contributions and proportionate share of contributions		15,792.70
City contributions subsequent to the measurement date	<u>37,124.89</u>	
TOTAL	<u><u>\$ 270,644.56</u></u>	<u><u>\$ 139,487.10</u></u>

\$37,124.89 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:

2020	\$ 132,749.96
2021	(20,573.39)
2022	(13,998.15)
2023	<u>11,646.86</u>
TOTAL	<u><u>\$ 109,825.28</u></u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 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	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 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, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 1,007,792.34	\$ (6,071.75)	\$ (832,187.79)

Pension Plan Fiduciary Net Position:

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

13. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the City managed its risks as follows:

Liability Insurance:

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

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available 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:

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

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

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

As of December 31, 2019, the City's balance available to be refunded per the SDPAA was \$111,950.00, which is a change of \$15,997.00 change from the previous year. The change in the amount available for refund was reported as an increase in the insurance expenditures.

The City carries a \$1,000 deductible for the automobile collision coverage, \$250 deductible for official's liability and \$5,000 for Law Enforcement liabilities.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate

and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2019 no claims was filed for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

14. Interfund Transfers

Interfund transfers for the year ended December 31, 2019 were as follows:

Transfers To:	Transfers From:					Total
	General Fund	Additional Sales Tax Fund	Water Fund	Sewer Fund	Nonmajor Governmental Funds	
Major Funds:						
Flynn Business Park Capital Project	\$	\$ 217,223.05	\$	\$	\$ 497,000.00	\$ 714,223.05
Nonmajor Funds:						
911 Special Revenue Fund	29,000.00					29,000.00
Water Upgrades Project Fund			300,000.00		327,091.62	627,091.62
Generators Project Fund				250,000.00		250,000.00
Sewer Upgrades Project Fund					327,091.61	327,091.61
Streeter Drive Capital Project					327,091.61	327,091.61
Enterprise Funds:						
Sewer Fund					120,000.00	120,000.00
Garbage Fund	37,000.00					37,000.00
	<u>\$ 66,000.00</u>	<u>\$ 217,223.05</u>	<u>\$ 300,000.00</u>	<u>\$ 250,000.00</u>	<u>\$ 1,598,274.84</u>	<u>\$ 2,431,497.89</u>

The City typically budgets transfers of money to cover temporary cash shortages and to also transfer budgeted funds to a Capital Project Fund.

15. Violations of Finance Related Legal and Contractual Provisions

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

<u>General Fund</u>		<u>Activity</u>	
Culture and Recreation	Parks		\$ 4,741.14
<u>Liquor Lodging and Dining Fund</u>			
Conservation and Development	Economic Development		1,747.88

The Governing Board plans to monitor and amend future budgets to ensure that legally appropriated expenditures are not exceeded.

16. Significant Contingencies-Litigation

At December 31, 2019, the City was not involved in any litigation.

17. Prior Period Adjustment

Accounting system errors were identified during the current period. These errors included coding problems within the city's utilities system that had been occurring during prior periods. These coding errors resulted in large variances in utility receivables and have since been corrected. An adjustment was made to beginning fund balance in the amount of \$(63,099.17) to correct the amounts that had posted incorrectly in prior years.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	\$ 498,200.00	\$ 498,200.00	\$ 471,029.54	\$ (27,170.46)
General Sales and Use Taxes	1,900,000.00	1,900,000.00	2,160,093.91	260,093.91
Amusement Taxes			720.00	720.00
Penalties and Interest on Taxes			1,122.78	1,122.78
Licenses and Permits	96,000.00	96,000.00	94,793.10	(1,206.90)
Intergovernmental Revenue:				
State Grants			11,182.89	11,182.89
State Shared Revenue:				
Bank Franchise Tax	6,300.00	6,300.00	5,127.63	(1,172.37)
State Motor	6,000.00	6,000.00	4,438.39	(1,561.61)
Liquor Tax Reversion	15,000.00	15,000.00	16,599.15	1,599.15
Motor Vehicle Licenses (5%)	27,000.00	27,000.00	39,161.19	12,161.19
Local Government Highway and Bridge Fund	75,000.00	75,000.00	74,776.77	(223.23)
Other State Revenue			4,260.60	4,260.60
County Shared Revenue:				
County Highway and Bridge Tax	1,000.00	1,000.00	7,913.72	6,913.72
County Wheel Tax	10,000.00	10,000.00	11,960.12	1,960.12
Charge for Services:				
General Government	100.00	100.00	95.00	(5.00)
Public Safety	26,500.00	26,500.00	30,470.26	3,970.26
Cemeteries	6,000.00	6,000.00	2,156.88	(3,843.12)
Culture and Recreation	5,000.00	5,000.00	8,370.00	3,370.00
Library	11,500.00	11,500.00	8,384.76	(3,115.24)
Fines and Forfeits:				
Court Fines and Costs	8,000.00	8,000.00	12,315.38	4,315.38
Library	1,300.00	1,300.00	1,744.39	444.39
Other	5,000.00	5,000.00	3,797.50	(1,202.50)
Miscellaneous Revenue:				
Investment Earnings	14,000.00	14,000.00	40,324.12	26,324.12
Rentals	5,000.00	5,000.00	24,033.70	19,033.70
Special Assessments	1,900.00	1,900.00	2,300.00	400.00
Contribution and Donations	500.00	500.00	7,020.80	6,520.80
Other	26,000.00	26,000.00	94,638.86	68,638.86
Total Revenue	2,745,300.00	2,745,300.00	3,138,831.44	393,531.44
Expenditures:				
General Government:				
Legislative	348,710.00	348,710.00	254,721.20	93,988.80
Elections	2,300.00	2,300.00	854.39	1,445.61
Financial Administration	194,610.00	194,610.00	184,411.66	10,198.34
Other	81,300.00	81,300.00	56,693.65	24,606.35
Total General Government	626,920.00	626,920.00	496,680.90	130,239.10

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Police	940,400.00	940,400.00	862,359.70	78,040.30
Civil Defense	<u>3,700.00</u>	<u>3,700.00</u>	<u>1,221.05</u>	<u>2,478.95</u>
Total Public Safety	<u>944,100.00</u>	<u>944,100.00</u>	<u>863,580.75</u>	<u>80,519.25</u>
Public Works:				
Highways, Streets and Dikes	1,046,920.00	1,226,920.00	1,030,814.42	196,105.58
Cemeteries	<u>9,750.00</u>	<u>9,750.00</u>	<u>3,493.80</u>	<u>6,256.20</u>
Total Public Works	<u>1,056,670.00</u>	<u>1,236,670.00</u>	<u>1,034,308.22</u>	<u>202,361.78</u>
Health and Welfare:				
Health	<u>7,000.00</u>	<u>7,000.00</u>	<u>4,949.60</u>	<u>2,050.40</u>
Total Health and Welfare	<u>7,000.00</u>	<u>7,000.00</u>	<u>4,949.60</u>	<u>2,050.40</u>
Culture and Recreation:				
Recreation	22,500.00	22,500.00	22,207.66	292.34
Senior Center	27,250.00	29,750.00	28,822.41	927.59
Parks	55,400.00	55,400.00	60,141.14	(4,741.14)
Libraries	<u>214,510.00</u>	<u>214,510.00</u>	<u>207,713.81</u>	<u>6,796.19</u>
Total Culture and Recreation	<u>319,660.00</u>	<u>322,160.00</u>	<u>318,885.02</u>	<u>3,274.98</u>
Conservation and Development:				
Economic Development and Assista	50,700.00	50,700.00	50,109.88	590.12
Economic Opportunity	<u>45,300.00</u>	<u>45,300.00</u>	<u>38,750.00</u>	<u>6,550.00</u>
Total Conservation and Development	<u>96,000.00</u>	<u>96,000.00</u>	<u>88,859.88</u>	<u>7,140.12</u>
Total Expenditures	<u>3,050,350.00</u>	<u>3,232,850.00</u>	<u>2,807,264.37</u>	<u>425,585.63</u>
Excess of Revenue Over (Under) Expenditures	(305,050.00)	(487,550.00)	331,567.07	819,117.07
Other Financing Sources (Uses):				
Sale of Municipal Property	5,000.00	5,000.00	10,000.00	5,000.00
Transfers (Out)	<u>(66,000.00)</u>	<u>(66,000.00)</u>	<u>(66,000.00)</u>	<u>5,000.00</u>
Total Other Financing Sources (Use)	<u>(61,000.00)</u>	<u>(61,000.00)</u>	<u>(56,000.00)</u>	<u>5,000.00</u>
Net Change in Fund Balances	(366,050.00)	(548,550.00)	275,567.07	824,117.07
Fund Balance - Beginning	<u>4,244,780.22</u>	<u>4,244,780.22</u>	<u>4,244,780.22</u>	<u>4,244,780.22</u>
FUND BALANCE - ENDING	<u>\$ 3,878,730.22</u>	<u>\$ 3,696,230.22</u>	<u>\$ 4,520,347.29</u>	<u>\$ 824,117.07</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTH SIOUX CITY
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - ADDITIONAL SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Taxes:				
General Sales and Use Taxes	\$ 465,000.00	\$ 465,000.00	\$ 540,026.47	\$ 75,026.47
Miscellaneous Revenue:				
Investment Earnings	<u>6,000.00</u>	<u>6,000.00</u>	<u>6,167.81</u>	<u>167.81</u>
Total Revenue	<u>471,000.00</u>	<u>471,000.00</u>	<u>546,194.28</u>	<u>75,194.28</u>
<u>Expenditures:</u>				
Economic Development	<u>471,000.00</u>	<u>471,000.00</u>	<u>294,080.08</u>	<u>176,919.92</u>
Total Expenditures	<u>471,000.00</u>	<u>471,000.00</u>	<u>294,080.08</u>	<u>176,919.92</u>
Excess of Revenue Over (Under) Expenditures			<u>252,114.20</u>	<u>252,114.20</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In (Out)	<u>(228,000.00)</u>	<u>(228,000.00)</u>	<u>(217,223.05)</u>	<u>10,776.95</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	0.00	0.00	34,891.15	262,891.15
Fund Balance - Beginning	<u>2,999,279.51</u>	<u>2,999,279.51</u>	<u>2,999,279.51</u>	
FUND BALANCE - ENDING	<u>\$ 2,999,279.51</u>	<u>\$ 2,999,279.51</u>	<u>\$3,034,170.66</u>	<u>\$ 262,891.15</u>

CITY OF NORTH SIOUX CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

Note 1 - Budgets and Budgetary Accounting:

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

1. At the first regular 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 the 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. Unexpected appropriations lapse at year end unless encumbered by the resolution of the Governing Board.

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and each major special revenue fund.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
7. Budgets for the General Fund and each major special revenue fund 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 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.

Schedule of Required Supplementary Information

CITY OF NORTH SIOUX CITY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

	2014	2015	2016	2017	2018	2019
City's proportion of the net pension liability (asset)	0.0501703%	0.0492081%	0.0520479%	0.0541041%	0.0553649%	0.0572955%
City's proportionate share of net pension liability (asset)	\$ (361,456)	\$ (208,706)	\$ 175,813	\$ (4,910)	\$ (1,291)	\$ (6,072)
City's covered-employee payroll	\$ 750,752	\$ 799,429	\$ 923,335	\$ 992,213	\$ 1,033,479	\$ 1,080,119
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-48.15%	-26.11%	19.04%	-0.49%	-0.12%	-0.56%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

Schedule of Required Supplementary Information

CITY OF NORTH SIOUX CITY
 SCHEDULE OF THE CITY'S CONTRIBUTIONS
 South Dakota Retirement System

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 54,160	\$ 62,952	\$ 67,670	\$ 69,799	\$ 74,657
Contributions in relation to the contractually required contribution	\$ 54,160	\$ 62,952	\$ 67,670	\$ 69,799	\$ 74,657
Contribution deficiency (excess)	\$	\$	\$	\$	\$
City's covered-employee payroll	\$ 799,429	\$ 923,335	\$ 992,213	\$ 1,033,479	\$ 1,080,119
Contributions as a percentage of covered-employee payroll	6.77%	6.82%	6.82%	6.75%	6.91%

CITY OF NORTH SIOUX CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Schedule
Of Pension Contributions.

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

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.

CITY OF NORTH SIOUX CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Capital Projects						Special Revenue			Debt Service		Total Nonmajor Governmental Funds
	Wildflower Bend TIF Project Fund	Water Upgrades Project Fund	Generators Project Fund	Sewer Upgrades Project Fund	Streeter Drive Project Fund	Grant Revolving Fund	Liquor Lodging & Dining Sales Tax Fund	911 Emergency Fund	River Valley Tax Incremental Financing District			
ASSETS:												
Cash and Cash Equivalents	\$ 11,636.18	\$ 603,175.62	\$ 250,000.00	\$ 327,091.61	\$ 327,091.61	\$ 145,456.58	\$ 257,095.88	\$ 3,115.05	\$ 88,913.37	\$ 1,753,364.97		
Investments										257,095.88		
Accounts Receivable								3,115.05		3,115.05		
Due From Government								3,242.11		3,242.11		
Due From Component Unit								23,561.56		23,561.56		
TOTAL ASSETS	\$ 11,636.18	\$ 603,175.62	\$ 250,000.00	\$ 327,091.61	\$ 327,091.61	\$ 145,456.58	\$ 283,899.55	\$ 3,115.05	\$ 88,913.37	\$ 2,040,379.57		
LIABILITIES AND FUND BALANCES:												
Liabilities:												
Accounts Payable		\$ 36,574.00				\$	\$ 34.66	\$ 511.10	\$	\$ 36,608.66		
Due to General Fund		36,574.00					281,171.42	511.10		281,682.52		
Total Liabilities							281,206.08	511.10		318,291.18		
Fund Balances:												
Restricted:												
Economic Development and Promotion												
Grant Revolving Loan						56,076.75	2,693.47		88,913.37	147,683.59		
Community Services						89,379.83		2,603.95		89,379.83		
Committed:												
Capital Improvement Additions	11,636.18	566,601.62	250,000.00	327,091.61	327,091.61	145,456.58	2,693.47	2,603.95		1,482,421.02		
Unassigned												
Total Fund Balances	11,636.18	566,601.62	250,000.00	327,091.61	327,091.61	145,456.58	2,693.47	2,603.95	88,913.37	1,722,088.39		
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,636.18	\$ 603,175.62	\$ 250,000.00	\$ 327,091.61	\$ 327,091.61	\$ 145,456.58	\$ 283,899.55	\$ 3,115.05	\$ 88,913.37	\$ 2,040,379.57		

CITY OF NORTH SIOUX CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>Capital Projects</u>					<u>Special Revenue</u>			<u>Debt Service</u>		Total Nonmajor Governmental Funds
	Wildflower Bend TIF Project Fund	Water Upgrades Project Fund	Generators Project Fund	Sewer Upgrades Project Fund	Streeter Drive Project Fund	Westshore Drive Project Fund	Grant Revolving Fund	Liquor Lodging & Dining Sales Tax Fund	911 Emergency Fund	River Valley Tax Increment Financing District	
Revenues:											
Taxes:											
General Property Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Sales & Use Taxes							140,174.10			212,832.34	212,832.34
911 Telephone Surcharge								38,376.81			140,174.10
Miscellaneous Revenue:											38,376.81
Investment Earnings						952.66	2,326.66				3,279.32
Total Revenue						<u>952.66</u>	<u>142,500.76</u>	<u>38,376.81</u>		<u>212,832.34</u>	<u>394,662.57</u>
Expenditures:											
Public Safety:											
Police											
Public Works									74,904.24		74,904.24
Economic Development							95,247.88				95,247.88
Economic Opportunity							41,179.56				41,179.56
Capital Outlay		60,490.00									60,490.00
Debt Service									179,531.93		179,531.93
Total Expenditures		<u>60,490.00</u>					<u>136,427.44</u>		<u>74,904.24</u>	<u>179,531.93</u>	<u>451,353.61</u>
Excess of Revenue Over (Under)										33,300.41	(56,691.04)
Expenditures		(60,490.00)									
Other Financing Sources (Uses):											
Sale of Fixed Assets	24,000.00										24,000.00
Transfer In		627,091.62	250,000.00	327,091.61	327,091.61			29,000.00			1,560,274.84
Transfer (Out)								(617,000.00)			(1,598,274.84)
Total Other Financing Source:	<u>24,000.00</u>	<u>627,091.62</u>	<u>250,000.00</u>	<u>327,091.61</u>	<u>327,091.61</u>			<u>29,000.00</u>			<u>(14,000.00)</u>
Net Change in Fund Balances	24,000.00	566,601.62	250,000.00	327,091.61	327,091.61			(7,527.43)		33,300.41	(70,691.04)
Fund Balance - Beginning	(12,363.82)									55,612.96	1,792,779.43
Fund Balance - Ending	<u>\$ 11,636.18</u>	<u>\$566,601.62</u>	<u>\$ 250,000.00</u>	<u>\$327,091.61</u>	<u>\$</u>	<u>\$ 145,456.58</u>	<u>\$ 2,693.47</u>	<u>\$ 2,603.95</u>	<u>\$ 88,913.37</u>	<u>\$ 1,722,088.39</u>	<u>\$</u>

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of North Sioux City
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of December 31, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of North Sioux City's basic financial statements and have issued our report thereon dated July 31, 2020. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these components units was not audited.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Audit Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings as item 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of North Sioux City's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, and contract 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Audit Findings as item 2019-002.

North Sioux City's Response to Findings

The City of North Sioux City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City of North Sioux City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Quam, Berglin and Post, P.C.
Certified Public Accountants
Elk Point, SD

July 31, 2020

**CITY OF NORTH SIOUX CITY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
DECEMBER 31, 2019**

PRIOR AUDIT FINDINGS:

The prior audit recommendation 2018-001 has not been corrected and is being restated as Current Audit Finding Number 2019-001. A material weakness was reported for a lack of segregation of duties for revenues. This comment results from the size of the city, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

The prior audit recommendation 2018-002 regarding expenditures in excess of appropriations has not been corrected and is being restated as Current Audit Finding Number 2019-002.

CURRENT AUDIT FINDINGS:

Internal Control Related Finding – Material Weakness:

Audit Finding Number 2019-001:

The City of North Sioux City does not have an adequate segregation of duties for revenues, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with management assertions.

Condition Found:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendation:

We recommend that the City officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical.

Corrective Action Plan:

Eric Christensen, City Administrator for the City of North Sioux City, is the contact person responsible for the corrective action plan for these comments. The City Council has prepared responses to the findings, which are on page 51.

Compliance Related Findings:

Audit Finding Number 2019-002:

Expenditures were paid in excess of appropriations for some departments.

Criteria:

SDCL 9-21-9 requires that the governing body shall not add to the expenditures any sum in excess of the

amount provided for in the annual appropriation ordinance except as otherwise specially provided.

Condition Found:

In 2019, the expenditures paid from the General Fund and the Liquor Lodging and Dining Fund exceeded the total amount budgeted on one department of each. In addition, the Liquor, Lodging and Dining Fund budgeted for more than the available fund balance. Please see Note 15 for activities and amounts related to this finding.

Recommendation:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Corrective Action Plan:

Eric Christensen, City Administrator for the City of North Sioux City, is the contact person responsible for the corrective action plan for these comments. The City Council has prepared responses to the findings, which are on page 51.

CITY OF NORTH SIOUX CITY
NORTH SIOUX CITY, SD

CORRECTIVE PLAN OF ACTION
December 31, 2019

The City of North Sioux City has considered the lack of segregation of duties for revenues. At this time, it is not cost efficient for the City of North Sioux City to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the City of North Sioux City to decrease the likelihood that financial data is adversely affected. The City will continue to monitor the necessity to have segregation of duties for revenues and implement such segregation as budget dollars and board authority allows.

The City of North Sioux City will monitor the budgets of each fund more closely to ensure that overspending does not occur and that proper budgets are adopted. In the future, when monitoring the budgets, if the expenditures are anticipated to exceed the annual appropriation, the City of North Sioux City will adopt a supplemental appropriation to utilize unobligated fund balances.



Mayor



City Administrator