

CITY OF PIERRE, SOUTH DAKOTA

Financial Statements

December 31, 2023

City of Pierre, South Dakota
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Independent Auditor's Report

City Commission
City of Pierre, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Pierre, South Dakota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit, which represents less than 1% of the assets and net position and 3.1% of revenues of the governmental activities as of June 30, 2023. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing and Redevelopment Commission of the City of Pierre, South Dakota is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Passenger Facility Charges, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Passenger Facility Charges, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

September 3, 2025

BASIC FINANCIAL STATEMENTS

City of Pierre, South Dakota
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
ASSETS				
Cash and Cash Equivalents	\$ 10,122,329	\$ 12,504,758	\$ 22,627,087	\$ 627,323
Receivables	2,685,869	13,677,643	16,363,512	52,046
Internal Balances	(490,482)	490,482	-	-
Inventories	296,613	3,707,605	4,004,218	245
Prepaid Expenses	11,020	-	11,020	27,489
Restricted Assets:				
Cash and Cash Equivalents	54,464	10,058,766	10,113,230	-
Net Pension Asset	28,953	11,596	40,549	577
Capital Assets				
Land and Construction in Progress	36,675,182	28,927,531	65,602,713	80,645
Other Capital Assets, Net of Depreciation	61,561,566	119,679,707	181,241,273	835,598
TOTAL ASSETS	<u>110,945,514</u>	<u>189,058,088</u>	<u>300,003,602</u>	<u>1,623,923</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related Deferred Outflows	2,247,251	900,092	3,147,343	56,534
OPEB-related Deferred Outflows	<u>76,907</u>	<u>34,263</u>	<u>111,170</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,324,158</u>	<u>934,355</u>	<u>3,258,513</u>	<u>56,534</u>
LIABILITIES				
Accounts Payable	3,569,968	5,648,679	9,218,647	25,988
Other Current Liabilities	198,600	849,692	1,048,292	19,197
Unearned Revenue	155,201	171,870	327,071	29,568
Noncurrent Liabilities:				
Landfill Closure and Post-closure Costs	-	818,589	818,589	-
Due Within One Year	1,469,762	2,358,005	3,827,767	2,792
Due in More than One Year	<u>14,743,240</u>	<u>65,230,001</u>	<u>79,973,241</u>	<u>6,660</u>
TOTAL LIABILITIES	<u>20,136,771</u>	<u>75,076,836</u>	<u>95,213,607</u>	<u>84,205</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Net Position (Continued)
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
DEFERRED INFLOWS OF RESOURCES				
Pension-related Deferred Inflows	1,465,356	586,920	2,052,276	33,630
Lease-related Deferred Inflows	252,272	541,716	793,988	-
OPEB-related Deferred Inflows	452,932	187,807	640,739	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,170,560</u>	<u>1,316,443</u>	<u>3,487,003</u>	<u>33,630</u>
NET POSITION				
Net Investment in Capital Assets	80,919,125	78,210,853	159,129,978	915,372
Restricted for:				
SDRS Pension Purposes	810,848	324,768	1,135,616	23,481
Cemetery	54,464	-	54,464	-
Other Purposes:				
Surface Transportation Program	4,685,571	-	4,685,571	-
Special Sales Tax	1,707,999	-	1,707,999	-
Storm Drainage	1,144,341	-	1,144,341	-
911 Purposes	649,131	-	649,131	-
Library	60,338	-	60,338	-
Other Donor Restricted Purposes	17,951	-	17,951	-
Unrestricted	<u>912,573</u>	<u>35,063,543</u>	<u>35,976,116</u>	<u>623,769</u>
TOTAL NET POSITION	<u>\$ 90,962,341</u>	<u>\$ 113,599,164</u>	<u>\$ 204,561,505</u>	<u>\$ 1,562,622</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Activities
For the Year Ended December 31, 2023

					Net (Expense) Revenue and Changes in Net Position			Component Unit
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 6,194,288	\$ 3,013,646	\$ -	\$ 6,640	\$ (3,174,002)	\$ -	\$ (3,174,002)	\$ -
Public Safety	4,864,719	292,703	-	631,431	(3,940,585)	-	(3,940,585)	-
Public Works	4,338,458	1,700,117	513,862	8,410	(2,116,069)	-	(2,116,069)	-
Health and Welfare	204,871	-	663,841	32,574	491,544	-	491,544	-
Culture and Recreation	5,399,143	838,167	360,945	63,263	(4,136,768)	-	(4,136,768)	-
Conservation and Development	1,141,209	1,015	-	-	(1,140,194)	-	(1,140,194)	-
Interest on Long-term Debt*	351,442	-	-	-	(351,442)	-	(351,442)	-
Total Governmental Activities	22,494,130	5,845,648	1,538,648	742,318	(14,367,516)	-	(14,367,516)	-
Business-type Activities:								
Water	5,649,392	4,680,238	-	-	-	(969,154)	(969,154)	-
Electric	12,959,280	16,216,083	-	-	-	3,256,803	3,256,803	-
Waste Water	6,262,038	3,772,046	-	-	-	(2,489,992)	(2,489,992)	-
Airport	2,972,993	160,307	6,901,719	-	-	4,089,033	4,089,033	-
Garbage	139,291	72,509	-	-	-	(66,782)	(66,782)	-
Landfill	2,207,571	1,848,845	75,034	-	-	(283,692)	(283,692)	-
Total Business-type Activities	30,190,565	26,750,028	6,976,753	-	-	3,536,216	3,536,216	-
Total Primary Government	\$ 52,684,695	\$ 32,595,676	\$ 8,515,401	\$ 742,318	(14,367,516)	3,536,216	(10,831,300)	-
COMPONENT UNIT								
Housing and Redevelopment Commission	\$ 1,479,280	\$ 226,310	\$ 343,938	\$ 1,272,287				363,255

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Activities (Continued)
For the Year Ended December 31, 2023

		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
GENERAL REVENUES					
Taxes:					
*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes	3,813,448	-	3,813,448	-
	Sales Taxes	10,728,373	-	10,728,373	-
	State Shared Revenues	942,726	-	942,726	-
	County Shared Revenue	20,761	-	20,761	-
	Unrestricted Investment Earnings	1,463,398	72,868	1,536,266	2,030
	Other General Revenues	52,374	373,653	426,027	3,275
	Transfers	1,575,972	(1,575,972)	-	-
	Gain on Extinguishment of Debt	27,863	-	27,863	-
	Gain (Loss) on Disposal of Fixed Assets	52,880	(773,709)	(720,829)	-
	Total General Revenues	18,677,795	(1,903,160)	16,774,635	5,305
CHANGE IN NET POSITION		4,310,279	1,633,056	5,943,335	368,560
NET POSITION - BEGINNING		86,652,062	111,966,108	198,618,170	1,194,062
NET POSITION - ENDING		<u>\$ 90,962,341</u>	<u>\$ 113,599,164</u>	<u>\$ 204,561,505</u>	<u>\$ 1,562,622</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Balance Sheet - Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Special Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,306,333	\$ 1,456,998	\$ 1,597,067	\$ 2,426,869	\$ 6,787,267
Tax Receivable, Delinquent	92,007	11,317	-	-	103,324
Accounts Receivable, Net	148,851	39,517	-	46,612	234,980
Unbilled Accounts Receivable	-	-	-	56,749	56,749
Due From Other Funds	398,515	-	-	-	398,515
Due From Other Governments	1,325,339	979,256	110,932	17,055	2,432,582
Leases Receivable	250,132	-	-	-	250,132
Inventory of Supplies	199,648	-	-	96,965	296,613
Prepaid Expenses	3,775	-	-	7,245	11,020
Restricted Cash					
and Cash Equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,464</u>	<u>54,464</u>
TOTAL ASSETS	<u>\$ 3,724,600</u>	<u>\$ 2,487,088</u>	<u>\$ 1,707,999</u>	<u>\$ 2,705,959</u>	<u>\$ 10,625,646</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 3,426,324	\$ 123,212	\$ -	\$ 20,006	\$ 3,569,542
Payroll Liabilities	51,969	-	-	7,439	59,408
Due to Other Funds	-	-	-	7,382	7,382
Revenue Collected in Advance	<u>151,315</u>	<u>-</u>	<u>-</u>	<u>3,886</u>	<u>155,201</u>
Total Liabilities	<u>3,629,608</u>	<u>123,212</u>	<u>-</u>	<u>38,713</u>	<u>3,791,533</u>
Deferred Inflows of Resources:					
Lease-Related Deferred Inflows	252,272	-	-	-	252,272
Unavailable Revenues	<u>236,003</u>	<u>147,199</u>	<u>18,159</u>	<u>39,777</u>	<u>441,138</u>
Total Deferred Inflows of Resources	<u>488,275</u>	<u>147,199</u>	<u>18,159</u>	<u>39,777</u>	<u>693,410</u>
Fund Balances:					
Nonspendable	198,246	-	-	163,986	362,232
Restricted	1,061,797	-	1,689,840	1,630,617	4,382,254
Committed	-	2,216,677	-	832,866	3,049,543
Unassigned	<u>(1,653,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,653,326)</u>
Total Fund Balances	<u>(393,283)</u>	<u>2,216,677</u>	<u>1,689,840</u>	<u>2,627,469</u>	<u>6,140,703</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,724,600</u>	<u>\$ 2,487,088</u>	<u>\$ 1,707,999</u>	<u>\$ 2,705,959</u>	<u>\$ 10,625,646</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2023

Total Fund Balances - Governmental Funds	\$ 6,140,703
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds.	28,953
Pension and OPEB-related deferred outflows are not available financial resources and, therefore, are not reported in the funds.	2,324,158
Pension and OPEB-related deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	(1,918,288)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	98,076,892
Long-term liabilities, including bonds payable, capital leases payable, lease obligations, accrued leave payable, and accrued other post employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(16,213,002)
Right-to-use assets included in governmental activities are not financial resources and therefore are not reported in the funds.	159,856
Receipts collected after year-end but not available soon enough to pay for current period expenditures are deferred in the funds.	441,138
Payables for interest are recognized as liabilities in the government-wide financial statements, but are recognized when paid in the governmental funds.	(23,129)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	<u>1,945,060</u>
Net Position - Governmental Activities	<u>\$ 90,962,341</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
General Property Taxes	\$ 3,547,938	\$ -	\$ -	\$ 243,847	\$ 3,791,785
General Sales and Use Taxes	5,239,725	5,239,725	666,137	237,275	11,382,862
Penalties and Interest on Delinquent Taxes	14,186	-	-	-	14,186
Licenses and Permits	480,889	-	-	-	480,889
Intergovernmental Revenue:					
Federal Grants	704,141	-	-	-	704,141
State Grants	566,936	-	-	623,792	1,190,728
State Shared Revenues:					
Bank Franchise	212,900	-	-	-	212,900
Liquor Tax Reversion	97,420	-	-	-	97,420
Motor Vehicle Licenses (5%)	116,231	-	-	-	116,231
Local Government Highway and Bridge Fund	356,854	-	-	-	356,854
911 Telephone Surcharge	-	-	-	229,858	229,858
County Shared Revenues:					
County Road Tax (25%)	6,004	-	-	-	6,004
Other	14,757	-	-	-	14,757
Charges for Goods and Services:					
General Government	2,582,811	-	-	157,229	2,740,040
Public Safety	40,328	-	-	246,989	287,317
Highways and Streets	1,100	459,610	-	481,414	942,124
Culture and Recreation	797,663	-	-	1,881	799,544
Cemetery	29,263	-	-	-	29,263
Fines and Forfeits:					
Court Fines and Costs	887	-	-	-	887
Parking Meter Fines	4,625	-	-	-	4,625
Miscellaneous Revenues:					
Investment Earnings	1,462,271	252	-	875	1,463,398
Rentals	67,171	-	-	-	67,171
Special Assessments	5,468	266,210	-	-	271,678
Contributions from Private Sources	164,414	217,096	-	4,587	386,097
Other	250,926	5,640	-	4,499	261,065
TOTAL REVENUES	<u>16,764,908</u>	<u>6,188,533</u>	<u>666,137</u>	<u>2,232,246</u>	<u>25,851,824</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds (Continued)
For the Year Ended December 31, 2023

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES					
General Government:					
Legislative	\$ 143,472	\$ -	\$ -	\$ -	\$ 143,472
Elections	3,657	-	-	-	3,657
Financial Administration	3,128,068	-	-	-	3,128,068
Other	2,724,162	-	-	128,512	2,852,674
Public Safety:					
Police	2,807,161	-	-	1,363,992	4,171,153
Fire	406,781	-	-	-	406,781
Public Works:					
Highways and Streets	1,588,512	391,440	-	2,022	1,981,974
Cemeteries	237,912	-	-	-	237,912
Transit	125,000	-	-	-	125,000
Health and Welfare:					
Health	43,554	-	-	-	43,554
Ambulance	-	178,000	-	-	178,000
Other	74,630	-	-	-	74,630
Culture and Recreation:					
Recreation	1,268,470	-	-	-	1,268,470
Parks	2,263,483	-	-	-	2,263,483
Libraries	766,516	-	-	6,319	772,835
Museum	37,458	-	-	-	37,458
Conservation and Development:					
Economic Development	1,001,876	-	-	139,332	1,141,208
Debt Service	-	1,197,662	380,992	159,479	1,738,133
Capital Outlay	13,067,685	2,534,588	-	437,571	16,039,844
TOTAL EXPENDITURES	29,688,397	4,301,690	380,992	2,237,227	36,608,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,923,489)	1,886,843	285,145	(4,981)	(10,756,482)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	2,247,647	(673,088)	(64,423)	132,243	1,642,379
Insurance Proceeds	-	-	-	37,870	37,870
Sale of Municipal Property	14,504	-	-	-	14,504
Net Other Financing Sources (Uses)	2,262,151	(673,088)	(64,423)	170,113	1,694,753
CHANGE IN FUND BALANCES	(10,661,338)	1,213,755	220,722	165,132	(9,061,729)
FUND BALANCE - BEGINNING	10,268,055	1,002,922	1,469,118	2,462,337	15,202,432
FUND BALANCE - ENDING	\$ (393,283)	\$ 2,216,677	\$ 1,689,840	\$ 2,627,469	\$ 6,140,703

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-wide Statement of Activities
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (9,061,729)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which capital outlays exceeded depreciation in the current period.	12,351,344
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,420,059
In the Statement of Activities, gains and losses on disposal of capital assets are reported, whereas in the fund financial statements, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(24,620)
Changes in pension-related deferred outflows/inflows are direct components of the pension asset and are not reflected in the governmental funds.	(130,006)
Changes in OPEB-related deferred outflows/inflows are direct components of the OPEB liability and are not reflected in the governmental funds.	85,383
Lease payments are reported in the governmental funds as they are paid while lease payments are reported as reductions in liabilities in the Statement of Activities. Right to Use Leased assets are also amortized in the Statement of Activities. This is the net impact to the Statement of Activities for reductions in liabilities and amortization of assets.	74,459
Sales tax revenues, special assessments, grants, and other revenue are reported in the period to be financed by the property tax levy, special assessments, and grants for both the governmental funds and the governmental activities, but in the fund statement, any amounts that are not "available" are offset with deferred inflows.	(679,005)
Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in this liability through expenditures.	109,844
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds is reported with governmental activities.	164,550
Change in Net Position of Governmental Activities	<u>\$ 4,310,279</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Net Position - Proprietary Funds
December 31, 2023

	Enterprise Funds					Totals	Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds		
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 7,222,797	\$ -	\$ 5,281,961	\$ -	\$ -	\$ 12,504,758	\$ 2,937,501
Accounts Receivable, Net	15,075	298,516	2,896,458	95,584	143,996	3,449,629	1,600
Unbilled Accounts Receivable	383,690	1,698,862	404,755	-	19,874	2,507,181	-
Due from Other Funds	-	4,032,048	1,286,147	-	-	5,318,195	-
Due from Other Governments	-	-	-	7,202,731	-	7,202,731	-
Inventory of Supplies	416,051	3,024,793	73,090	61,684	131,987	3,707,605	-
Total Current Assets	8,037,613	9,054,219	9,942,411	7,359,999	295,857	34,690,099	2,939,101
Noncurrent Assets:							
Restricted Cash and Cash Equivalents	-	8,754,622	-	-	1,304,144	10,058,766	-
Net Pension Asset	2,034	3,272	1,925	1,744	2,621	11,596	-
Lease Receivables	-	-	-	518,102	-	518,102	-
Capital Assets:							
Land	399,662	31,675	49,434	235,889	4,041,171	4,757,831	-
Buildings and Infrastructure	51,589,137	1,605,064	29,179,116	46,730,814	3,703,002	132,807,133	-
Improvements	-	40,245,581	-	-	-	40,245,581	-
Machinery and Equipment	2,914,048	3,259,013	3,876,768	3,962,671	4,654,588	18,667,088	-
Right to Use Leased Assets	-	-	-	6,930	-	6,930	-
Construction in Progress	2,388,568	262,660	14,364,149	7,154,323	-	24,169,700	-
Less: Accumulated Depreciation and Amortization	(10,097,957)	(12,791,636)	(20,552,741)	(24,652,427)	(3,952,264)	(72,047,025)	-
Total Noncurrent Assets	47,195,492	41,370,251	26,918,651	33,958,046	9,753,262	159,195,702	-
TOTAL ASSETS	55,233,105	50,424,470	36,861,062	41,318,045	10,049,119	193,885,801	2,939,101

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Net Position - Proprietary Funds (Continued)
December 31, 2023

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
DEFERRED OUTFLOWS OF RESOURCES							
Pension-related Deferred Outflows	157,882	253,935	149,439	135,382	203,454	900,092	-
OPEB-related Deferred Outflows	7,379	11,841	5,016	3,520	6,507	34,263	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>165,261</u>	<u>265,776</u>	<u>154,455</u>	<u>138,902</u>	<u>209,961</u>	<u>934,355</u>	<u>-</u>
LIABILITIES							
Current Liabilities:							
Accounts Payable	845,907	790,883	3,495,419	485,042	31,428	5,648,679	426
Incurred But Not Reported Claims	-	-	-	-	-	-	112,000
Accrued Interest Payable	86,860	26,602	40,381	-	-	153,843	-
Accrued Wages Payable	3,148	6,679	3,989	4,456	4,939	23,211	-
Customer Deposits	-	672,638	-	-	-	672,638	-
Revenue Collected in Advance	33,032	117,052	19,870	-	1,916	171,870	-
Due to Other Funds	-	-	-	5,311,767	397,561	5,709,328	-
Revenue Bonds Payable - Current	868,065	800,427	660,803	-	-	2,329,295	-
Lease Liability - Current	-	-	-	1,486	-	1,486	-
Accrued Leave Payable - Current	1,136	9,735	3,652	2,640	10,061	27,224	-
Total Current Liabilities	<u>1,838,148</u>	<u>2,424,016</u>	<u>4,224,114</u>	<u>5,805,391</u>	<u>445,905</u>	<u>14,737,574</u>	<u>112,426</u>
Noncurrent Liabilities:							
Revenue Bonds Payable	32,988,897	14,180,008	17,411,303	-	-	64,580,208	-
Accrued Leave Payable	14,014	120,071	45,043	32,557	124,074	335,759	-
Accrued Landfill Closure and Post-closure Costs	-	-	-	-	818,589	818,589	-
Lease Liability	-	-	-	2,503	-	2,503	-
Net OPEB Obligation	58,245	87,321	50,185	46,618	69,162	311,531	-
Total Noncurrent Liabilities	<u>33,061,156</u>	<u>14,387,400</u>	<u>17,506,531</u>	<u>81,678</u>	<u>1,011,825</u>	<u>66,048,590</u>	<u>-</u>
TOTAL LIABILITIES	<u>34,899,304</u>	<u>16,811,416</u>	<u>21,730,645</u>	<u>5,887,069</u>	<u>1,457,730</u>	<u>80,786,164</u>	<u>112,426</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Net Position - Proprietary Funds (Continued)
December 31, 2023

	Enterprise Funds					Totals	Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds		
DEFERRED INFLOWS OF RESOURCES							
Pension-related Deferred Inflows	102,949	165,583	97,444	88,278	132,666	586,920	-
Lease-related Deferred Inflows	-	-	-	541,716	-	541,716	-
OPEB-related Deferred Inflows	37,486	58,283	26,188	23,669	42,181	187,807	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>140,435</u>	<u>223,866</u>	<u>123,632</u>	<u>653,663</u>	<u>174,847</u>	<u>1,316,443</u>	<u>-</u>
NET POSITION							
Net Investment in Capital Assets	13,080,799	17,631,922	5,992,918	33,058,717	8,446,497	78,210,853	-
Restricted for:							
SDRS Pension Purposes	56,967	91,624	53,920	48,848	73,409	324,768	-
Unrestricted	<u>7,220,861</u>	<u>15,931,418</u>	<u>9,114,402</u>	<u>1,808,650</u>	<u>106,597</u>	<u>34,181,928</u>	<u>2,826,675</u>
TOTAL NET POSITION	<u>\$ 20,358,627</u>	<u>\$ 33,654,964</u>	<u>\$ 15,161,240</u>	<u>\$ 34,916,215</u>	<u>\$ 8,626,503</u>	<u>\$ 112,717,549</u>	<u>\$ 2,826,675</u>

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

Net Position of Business-type Activities

881,615
\$ 113,599,164

Check Figures

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2023

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Funds
OPERATING REVENUE							
Charges for Goods and Services	\$ 2,825,528	\$ 15,104,142	\$ 2,410,991	\$ 158,114	\$ 1,917,629	\$ 22,416,404	\$ 2,658,828
Revenue Dedicated to Servicing Debt	1,852,332	-	1,329,800	-	-	3,182,132	-
Miscellaneous	2,378	1,111,941	31,255	2,193	3,725	1,151,492	-
Total Operating Revenue	4,680,238	16,216,083	3,772,046	160,307	1,921,354	26,750,028	2,658,828
OPERATING EXPENSES							
Personnel Services	818,504	1,182,030	727,198	651,929	997,961	4,377,622	1,442,567
Other Current Expenses	1,286,836	1,827,751	828,380	345,224	768,617	5,056,808	967,769
Materials (Cost of Goods Sold)	1,062,529	7,890,076	3,254,833	534,961	162,807	12,905,206	-
Depreciation and Amortization	1,750,176	1,612,261	1,020,438	1,453,057	438,815	6,274,747	-
Total Operating Expenses	4,918,045	12,512,118	5,830,849	2,985,171	2,368,200	28,614,383	2,410,336
OPERATING INCOME (LOSS)	(237,807)	3,703,965	(2,058,803)	(2,824,864)	(446,846)	(1,864,355)	248,492
NONOPERATING REVENUE (EXPENSE)							
Capital Grants	-	-	-	6,901,719	75,034	6,976,753	-
Investment Earnings	-	-	-	-	72,868	72,868	-
Rental Revenue	-	15,120	-	301,482	100	316,702	-
Interest Expense	(747,638)	(465,142)	(447,309)	(35)	-	(1,660,124)	-
Insurance Proceeds	-	-	-	56,936	-	56,936	-
Other Revenues	-	-	15	-	-	15	-
Gain (Loss) on Disposition of Assets	52,994	138,360	(959,237)	(17,477)	11,651	(773,709)	-
Net Nonoperating Revenue (Expense)	(694,644)	(311,662)	(1,406,531)	7,242,625	159,653	4,989,441	-

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (Continued)
For the Year Ended December 31, 2023

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(932,451)	3,392,303	(3,465,334)	4,417,761	(287,193)	3,125,086	248,492
Transfers In (Out)	(484,700)	(850,000)	(550,000)	1,107	307,621	(1,575,972)	-
CHANGE IN NET POSITION	(1,417,151)	2,542,303	(4,015,334)	4,418,868	20,428	1,549,114	248,492
NET POSITION - BEGINNING	<u>21,775,778</u>	<u>31,112,661</u>	<u>19,176,574</u>	<u>30,497,347</u>	<u>8,606,075</u>	<u>111,168,435</u>	<u>2,578,183</u>
NET POSITION - ENDING	<u>\$ 20,358,627</u>	<u>\$ 33,654,964</u>	<u>\$ 15,161,240</u>	<u>\$ 34,916,215</u>	<u>\$ 8,626,503</u>	<u>\$ 112,717,549</u>	<u>\$ 2,826,675</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Reconciliation of the Proprietary Funds Statement of Revenues,
Expenditures, and Change in Net Position to the Statement of Activities
For the Year Ended December 31, 2023

Change in Net Position - Total Proprietary Funds	\$ 1,549,114
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of the enterprise funds' participation in the activities conducted in the internal service fund.

83,942

Change in Net Position of Business-type Activities	<u>\$ 1,633,056</u>
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The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2023

	Enterprise Funds						
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM (USED BY)							
OPERATING ACTIVITIES							
Receipts from Customers	\$ 4,722,152	\$ 16,172,916	\$ 881,898	\$ 153,081	\$ 1,873,491	\$ 23,803,538	\$ 2,678,179
Payments to Suppliers	(1,440,479)	(10,811,611)	(3,478,634)	(807,245)	(967,567)	(17,505,536)	(1,046,541)
Payments to Employees	(869,425)	(1,194,115)	(714,977)	(651,069)	(998,914)	(4,428,500)	(1,371,511)
Net Cash from (Used by) Operating Activities	<u>2,412,248</u>	<u>4,167,190</u>	<u>(3,311,713)</u>	<u>(1,305,233)</u>	<u>(92,990)</u>	<u>1,869,502</u>	<u>260,127</u>
CASH FLOWS FROM (USED BY)							
NONCAPITAL FINANCING ACTIVITIES							
Due to (from) Other Funds	-	(4,032,048)	(1,279,719)	5,311,767	202,088	202,088	-
Transfers (to) from Other Funds	(484,700)	(850,000)	(550,000)	-	307,621	(1,577,079)	-
Net Cash from (Used by) Noncapital Financing Activities	<u>(484,700)</u>	<u>(4,882,048)</u>	<u>(1,829,719)</u>	<u>5,311,767</u>	<u>509,709</u>	<u>(1,374,991)</u>	<u>-</u>
CASH FLOWS FROM (USED BY)							
CAPITAL AND RELATED							
FINANCING ACTIVITIES							
Capital Grants and Contributions	-	-	-	504,830	75,034	579,864	-
Proceeds from Debt Issuance	6,061,931	-	4,403,649	-	-	10,465,580	-
Proceeds from Sale of Capital Assets	52,994	154,490	69,519	-	82,420	359,423	-
Other Receipts	-	15,120	-	281,454	100	296,674	-
Purchase of Capital Assets	(4,467,771)	(1,147,672)	(1,118,592)	(6,301,396)	(617,141)	(13,652,572)	-
Insurance Proceeds	-	-	-	56,936	-	56,936	-
Debt Principal Paid	(661,294)	(778,085)	(284,494)	(2,950)	-	(1,726,823)	-
Debt Interest Paid	(705,241)	(466,564)	(416,990)	(35)	-	(1,588,830)	-
Net Cash from (Used by) Capital and Related Financing Activities	<u>280,619</u>	<u>(2,222,711)</u>	<u>2,653,092</u>	<u>(5,461,161)</u>	<u>(459,587)</u>	<u>(5,209,748)</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended December 31, 2023

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
CASH FLOWS FROM (USED BY)							
INVESTING ACTIVITIES							
Cash Invested in							
Restricted/Reserve Accounts	-	(1,014,429)	-	-	(30,000)	(1,044,429)	-
Cash Received for Interest	-	-	-	-	72,868	72,868	-
Net Cash from (Used by)							
Investing Activities	-	(1,014,429)	-	-	42,868	(971,561)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,208,167	(3,951,998)	(2,488,340)	(1,454,627)	-	(5,686,798)	260,127
BALANCE - BEGINNING	5,014,630	3,951,998	7,770,301	1,454,627	-	18,191,556	2,677,374
BALANCE - ENDING	<u>\$ 7,222,797</u>	<u>\$ -</u>	<u>\$ 5,281,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,504,758</u>	<u>\$ 2,937,501</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended December 31, 2023

	Enterprise Funds						Internal Service Funds
	Water Fund	Electric Fund	Waste Water Fund	Airport Fund	Other Enterprise Funds	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED BY) OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (237,807)	\$ 3,703,965	\$ (2,058,803)	\$ (2,824,864)	\$ (446,846)	\$ (1,864,355)	\$ 248,492
Adjustments to Reconcile Operating Income (Loss) to Net Cash from (Used by) Operating Activities:							
Depreciation & Amortization Expense	1,750,176	1,612,261	1,020,438	1,453,057	438,815	6,274,747	-
Change in Assets and Liabilities:							
Accounts Receivables/Unbilled Receivables	63,734	34,418	(2,874,858)	(7,226)	(46,505)	(2,830,437)	19,351
Prepaid Expenses	-	-	-	24,638	-	24,638	-
Inventories	120,274	(975,182)	(25,157)	(32,106)	(29,705)	(941,876)	-
Pension-related Deferred Outflows	28,853	54,286	(13,580)	(913)	17,971	86,617	-
OPEB-related Deferred Outflows	1,928	2,890	1,661	1,543	2,289	10,311	-
Accounts and Other Payables	788,612	(118,602)	629,736	80,408	(6,484)	1,373,670	(7,716)
Accrued Wages Payable	834	3,087	2,710	2,631	2,442	11,704	-
Revenue Collected in Advance	(21,820)	(79,386)	(15,290)	-	(1,358)	(117,854)	-
Customer Deposits	-	1,801	-	-	-	1,801	-
Accrued Leave Payable	(47,423)	(13,583)	7,815	1,441	(4,806)	(56,556)	-
Pension-related Deferred Inflows	(15,227)	(29,474)	11,466	3,180	(7,463)	(37,518)	-
OPEB-related Deferred Inflows	9,356	14,025	8,061	7,488	11,109	50,039	-
OPEB Liability	(29,247)	(43,409)	(5,470)	(14,234)	(22,245)	(114,605)	-
Pension-related Asset/Liability	5	93	(442)	(276)	(204)	(824)	-
NET CASH FROM (USED BY) OPERATING ACTIVITIES	<u>\$ 2,412,248</u>	<u>\$ 4,167,190</u>	<u>\$ (3,311,713)</u>	<u>\$ (1,305,233)</u>	<u>\$ (92,990)</u>	<u>\$ 1,869,502</u>	<u>\$ 260,127</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Capital Assets Contributed by Other Funds	\$ -	\$ -	\$ -	\$ 1,107	\$ -	\$ 1,107	\$ -
Capital Assets Included in Accounts Payable	\$ -	\$ -	\$ -	\$ 145,540	\$ -	\$ 145,540	\$ -

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 1,813</u>
NET POSITION	
Restricted for Employees	<u>\$ 1,813</u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Health Savings Deposits	\$ 151,529
DEDUCTIONS	
Employee Flex Spending	<u>146,897</u>
CHANGE IN NET POSITION	4,632
NET POSITION - BEGINNING	<u>(2,819)</u>
NET POSITION - ENDING	<u><u>\$ 1,813</u></u>

The accompanying notes are an integral part of this statement.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The reporting entity of the City of Pierre, South Dakota (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The Housing and Redevelopment Commission (Housing Commission) of the City of Pierre is a proprietary fund-type, discretely presented component unit. The financial information is as of and for the year ended June 30, 2023. The financial statements have been audited by other auditors. The component unit is reported using the accrual basis of accounting. Separately issued financial statements of the Housing and Redevelopment Commission can be obtained from: Housing and Redevelopment Commission of the City of Pierre, PO Box 937, Pierre, SD 57501.

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

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

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 if it meets the following criteria:

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

The funds of the City's 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 Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditures for specified purposes. The City's special revenue funds are as follows:

Special Sales Tax Fund - A fund established by ordinance to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food, and admissions. Proceeds from this tax are used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund was established through local ordinance. This is a major fund.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

TIF Funds - To account for the property taxes, which may be used only for the payment of the applicable TIF bonds. The City has five of these debt service funds (TIF #4, #6, #7, #8, and #9). These are not major funds.

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

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

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

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

Proprietary Funds:

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City reports the following non-major enterprise funds:

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

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

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

Fiduciary Funds:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

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 and fiduciary fund types.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the length of that cycle is 30 days. The revenues that are accrued at December 31, 2023 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

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

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

D. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses," including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only by the function to which they relate.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. DEPOSITS AND INVESTMENTS

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

F. CAPITAL ASSETS

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction in progress, improvements, 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 are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

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

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

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

Government-wide Statements:

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization 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), methods, and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40 - 99 years
Improvements other than buildings	5,000	Straight-line	10 - 25 years
Machinery and equipment	5,000	Straight-line	3 - 25 years
Infrastructure	5,000	Straight-line	25 - 50 years
Utilities, property, and improvements	5,000	Straight-line	10 - 50 years
Right-to-use lease assets	5,000	Straight-line	10 - 20 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial 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 financial statements. The long-term liabilities consist primarily of compensated absences, revenue bonds payable, other post-employment benefits, and lease obligations.

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

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.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

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

J. PROPRIETARY FUNDS REVENUE AND EXPENSE CLASSIFICATION

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

K. CASH AND CASH EQUIVALENTS

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's unrestricted equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows, excluding funds that are held in reserve or restricted.

L. RESTRICTED ASSETS

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

M. EQUITY CLASSIFICATION

Government-wide Financial Statements:

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fund Financial Statements:

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

N. APPLICATION OF NET POSITION

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

O. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The City classifies governmental fund balances as follows:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.

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

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

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

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

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A schedule of fund balances reported on the balance sheet of the governmental funds as of December 31, 2023 is as follows:

	General Fund	Capital Improvement Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 198,246	\$ -	\$ -	\$ 113,986	\$ 312,232
Cemetery	-	-	-	50,000	50,000
Restricted for:					
Public Works	1,061,797	-	-	-	1,061,797
Special Sales Tax	-	-	1,689,840	-	1,689,840
Storm Drainage	-	-	-	1,011,004	1,011,004
Library	-	-	-	60,338	60,338
911	-	-	-	554,811	554,811
Cemetery	-	-	-	4,464	4,464
Committed to:					
Capital Improvements	-	2,216,677	-	-	2,216,677
Culture and Recreation	-	-	-	10,170	10,170
Police Pistol	-	-	-	45,215	45,215
Police Cadets	-	-	-	16,638	16,638
Occupancy Tax	-	-	-	760,843	760,843
Unassigned	(1,653,326)	-	-	-	(1,653,326)
	<u>\$ (393,283)</u>	<u>\$ 2,216,677</u>	<u>\$ 1,689,840</u>	<u>\$ 2,627,469</u>	<u>\$ 6,140,703</u>

P. PENSIONS

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

Q. LEASES

Lessee:

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Lessor:

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

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

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

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City has credited all income from deposits and investments to the General Fund, except for interest generated by restricted deposits which are deposited in the fund making the investment and used in accordance with the restricted purpose of the funds.

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The City reported no investments at December 31, 2023.

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

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial risk. As of December 31, 2023, the City's deposits in financial institutions were not exposed to credit risk as all deposits were fully insured or collateralized.

Custodial Credit Risk (Component Unit) - The Housing Commission does not have a deposit policy for custodial risk. As of June 30, 2023, the Housing Commission's deposits were fully insured or collateralized.

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.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 3 - RESTRICTED ASSETS

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

Purpose	Amount
Governmental Activities:	
Cemetery Perpetual Care	\$ 54,464
Pension	<u>28,953</u>
Total Governmental Activities	<u>\$ 83,417</u>
Business-type Activities:	
Debt Service Covenants	\$ 8,081,984
Customer Deposits	672,638
Landfill Expansion, Closure, and Post-closure Costs	1,304,144
Pension	<u>11,596</u>
Total Business-type Activities	<u>\$ 10,070,362</u>

NOTE 4 - RECEIVABLES AND PAYABLES

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

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following at December 31, 2023:

- *General Fund* - \$979,256 due from state government for 1% city sales tax; \$25,541 due from state government for liquor tax reversion funds; \$73,125 due from state government for state highway and bridge funds; and \$247,417 due from state government for grant reimbursements.
- *Capital Improvement Fund* - \$979,256 due from state government for 1% city sales tax.
- *Special Sales Tax Fund* - \$110,256 due from state government for 1% city sales tax.
- *Airport Fund* - \$7,202,731 due from the federal government for a grant.
- *E-911 Fund* - \$17,055 due from state government for state radio charges.

NOTE 6 - INVENTORY

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

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

Government-wide Financial Statements

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 6 – INVENTORY (CONTINUED)

Fund Financial Statements

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

NOTE 7 - UNAVAILABLE REVENUE

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

NOTE 8 - PROPERTY TAXES

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 9 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

Primary Government	Balance 1/1/2023	Additions	Transfers and Retirements	Balance 12/31/2023
Governmental Activities:				
Capital Assets not Being Depreciated/Amortized:				
Land	\$ 15,627,918	\$ -	\$ -	\$ 15,627,918
Construction in Progress	9,063,682	11,991,862	(8,280)	21,047,264
Capital Assets Being Depreciated:				
Buildings	30,233,956	94,962	(2,500)	30,326,418
Improvements Other Than Buildings	57,048,146	2,889,485	(773,056)	59,164,575
Machinery and Equipment	15,408,386	1,063,536	(227,607)	16,244,315
Totals at Historical Cost	127,382,088	16,039,845	(1,011,443)	142,410,490
Less Accumulated Depreciation for:				
Buildings	13,092,054	847,516	(2,127)	13,937,443
Improvements Other Than Buildings	19,437,908	1,959,445	(773,056)	20,624,297
Machinery and Equipment	9,167,258	815,133	(210,533)	9,771,858
Total Accumulated Depreciation	41,697,220	3,622,094	(985,716)	44,333,598
Net Capital Assets	85,684,868	12,417,751	(25,727)	98,076,892
Right-to-use Leased Assets Being Amortized:				
Right-to-use Leased Equipment	79,045	150,908	-	229,953
Less Accumulated Amortization for:				
Right-to-use Leased Equipment	37,888	32,209	-	70,097
Net Right-to-use Leased Assets	41,157	118,699	-	159,856
Governmental Activity Capital Assets, Net	\$ 85,726,025	\$ 12,536,450	\$ (25,727)	\$ 98,236,748

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 202,486
Public Safety	258,881
Public Works	2,012,337
Health and Welfare	3,792
Culture and Recreation	1,176,807
Total Depreciation and Amortization Expense - Governmental Activities	\$ 3,654,303

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 9 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Primary Government	Balance 1/1/2023	Additions	Transfers and Retirements	Balance 12/31/2023
Business-type Activities:				
Capital Assets not Being Depreciated/Amortized:				
Land	\$ 4,757,831	\$ -	\$ -	\$ 4,757,831
Construction in Progress	50,193,617	9,858,349	(35,882,266)	24,169,700
Capital Assets Being Depreciated:				
Buildings	97,116,590	36,520,122	(829,579)	132,807,133
Improvements Other Than Buildings	40,062,247	289,478	(106,144)	40,245,581
Machinery and Equipment	19,144,908	1,653,482	(2,131,302)	18,667,088
Totals at Historical Cost	211,275,193	48,321,431	(38,949,291)	220,647,333
Less Accumulated Depreciation for:				
Buildings	27,179,135	2,725,011	(740,542)	29,163,604
Improvements Other Than Buildings	27,431,601	2,421,262	(106,145)	29,746,718
Machinery and Equipment	13,192,477	1,127,006	(1,185,716)	13,133,767
Total Accumulated Depreciation	67,803,213	6,273,279	(2,032,403)	72,044,089
Net Capital Assets	143,471,980	42,048,152	(36,916,888)	148,603,244
Right-to-use Leased Assets Being Amortized:				
Right-to-use Leased Equipment	6,930	-	-	6,930
Less Accumulated Amortization for:				
Right-to-use Leased Equipment	1,468	1,468	-	2,936
Net Right-to-use Leased Assets	5,462	(1,468)	-	3,994
Business-type Activity Capital Assets, Net	\$ 143,477,442	\$ 42,046,684	\$ (36,916,888)	\$ 148,607,238
Depreciation/amortization expense was charged to functions as follows:				
Business-type Activities:				
Water				\$ 1,750,176
Electric				1,612,261
Waste Water				1,020,438
Airport				1,453,057
Garbage				4,502
Landfill				434,313
Total Depreciation and Amortization Expense - Business-type Activities				\$ 6,274,747

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 9 - CHANGES IN CAPITAL ASSETS (CONTINUED)

The City had active construction projects as of December 31, 2023. At year-end, the City had commitments with contractors and ongoing projects as follows:

	Project Authorization	Expended Through 12/31/23	Committed
Outdoor Swimming Pool	\$ 13,000,000	\$ 20,017,885	\$ -
Pickleball Court Project	250,000	313,222	-
Washbay	2,219,802	596,623	1,623,179
Griffin Shelter	16,500	12,435	4,065
Water Main Loop Hwy 34	3,124,469	2,277,499	846,970
Euclid Water Main Replacement	2,591,608	111,069	2,480,539
Utility Truck Body	200,000	91,062	108,938
Infrastructure Phase I	9,000,000	171,598	8,828,402
Wastewater Plant Improvements Phase 3	13,000,000	14,027,570	-
CIPP Sewer Lining Project	1,000,000	425,924	574,076
Manhole Lining Project	250,000	17,753	232,247
Runway 7-25 Rehabilitation	9,150,000	7,066,305	2,083,695
Snow Plow Acquisition	632,280	5,680	626,600
ARFF Truck Replacement	55,000	53,745	1,255
ARFF Test Cart	34,125	28,594	5,531
	<u>\$ 54,523,784</u>	<u>\$ 45,216,964</u>	<u>\$ 17,415,497</u>

Projects are being funded with bond proceeds, grants, and operating cash flow.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 10 - CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended June 30, 2023 is as follows:

Component Unit	Balance 7/1/2022	Increase	Retirements	Transfers	Balance 6/30/2023
Governmental Activities:					
Capital Assets not Being Depreciated/Amortized:					
Land	\$ 80,645	\$ -	\$ -	\$ -	\$ 80,645
Construction in Progress	132,598	-	-	(132,598)	-
Total Capital Assets not Being Depreciated/Amortized	213,243	-	-	(132,598)	80,645
Capital Assets Being Depreciated/Amortized:					
Buildings and Improvements	2,846,189	486,017	(5,993)	132,598	3,458,811
Furniture and Equipment	66,532	1,250	-	-	67,782
Intangible Lease Assets	6,928	-	-	-	6,928
Total Capital Assets Being Depreciated/Amortized	2,919,649	487,267	(5,993)	132,598	3,533,521
Less Accumulated Depreciation/Amortization for:					
Buildings and Improvements	2,587,535	55,844	(5,993)	-	2,637,386
Furniture and Equipment	50,777	3,703	-	-	54,480
Intangible Lease Assets	4,440	1,617	-	-	6,057
Total Accumulated Depreciation/Amortization	2,642,752	61,164	(5,993)	-	2,697,923
Total Capital Assets Being Depreciated/Amortized, Net	276,897	426,103	-	132,598	835,598
Governmental Activity Capital Assets, Net	\$ 490,140	\$ 426,103	\$ -	\$ -	\$ 916,243

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 11 - LONG-TERM DEBT

The City has revenue bonds and tax-increment financing direct placements related to governmental activities totaling \$13,909,551 and \$540,144, respectively, and revenue bonds related to business-type activities totaling \$66,909,504. The City has pledged sales taxes and utility customer revenues for the payment of the revenue bonds. There are several limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

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

Primary Government	01/01/23	Additions	Deletions	12/31/23	Due Within One Year	Interest Paid
Governmental Activities:						
Bonds Payable:						
Tax Increment Financing	\$ 692,150	\$ -	\$ (152,006)	\$ 540,144	\$ 120,387	\$ 35,336
Revenue	<u>15,177,604</u>	<u>-</u>	<u>(1,268,053)</u>	<u>13,909,551</u>	<u>1,247,348</u>	<u>311,817</u>
Total Debt	15,869,754	-	(1,420,059)	14,449,695	1,367,735	347,153
Accrued Compensated Absences	977,815	-	(109,844)	867,971	65,098	-
Lease Obligations	36,503	150,908	(41,338)	146,073	36,929	5,506
OPEB	<u>979,798</u>	<u>-</u>	<u>(230,535)</u>	<u>749,263</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>17,863,870</u>	<u>150,908</u>	<u>(1,801,776)</u>	<u>16,213,002</u>	<u>1,469,762</u>	<u>352,659</u>
Business-type Activities:						
Bonds Payable:						
Revenue	<u>65,497,886</u>	<u>3,135,490</u>	<u>(1,723,872)</u>	<u>66,909,504</u>	<u>2,329,295</u>	<u>1,588,455</u>
Total Debt	65,497,886	3,135,490	(1,723,872)	66,909,504	2,329,295	1,519,457
Accrued Compensated Absences	421,014	-	(58,031)	362,983	27,224	-
Lease Obligations	5,464	-	(1,477)	3,987	1,486	35
OPEB	<u>426,136</u>	<u>-</u>	<u>(114,604)</u>	<u>311,532</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>66,350,500</u>	<u>3,135,490</u>	<u>(1,897,984)</u>	<u>67,588,006</u>	<u>2,358,005</u>	<u>1,519,492</u>
Total Primary Government	<u>\$ 84,214,370</u>	<u>\$ 3,286,398</u>	<u>\$ (3,699,760)</u>	<u>\$ 83,801,008</u>	<u>\$ 3,827,767</u>	<u>\$ 1,872,151</u>
Component Unit						
Component Unit	07/01/22	Increase	Decrease	06/30/23	Due Within One Year	
Accrued Compensated Absences	\$ 5,823	\$ 4,601	\$ (1,842)	\$ 8,582	\$ 1,921	
Direct Financing Arrangements	<u>2,488</u>	<u>-</u>	<u>(1,617)</u>	<u>871</u>	<u>871</u>	
	<u>\$ 8,311</u>	<u>\$ 4,601</u>	<u>\$ (3,459)</u>	<u>\$ 9,453</u>	<u>\$ 2,792</u>	

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Debt payable at December 31, 2023 was comprised of the following:

Governmental Activity Debt:

Revenue Bonds:

2010 Tax Increment Revenue Bond for TIF District No. 6 Loan. Payable in semi-annual installments of approximately \$80,000 including interest at 5.6%. Paid by a Debt Service fund. Due in 2026.	\$ 540,144
State Revolving Fund Loan for landfill remediation. Payable in quarterly installments of \$10,685, including interest at 3.25%. Paid out of the Capital Improvement Fund. Due in 2031.	283,461
State Revolving Fund Loan for the development of a landfill. Payable in quarterly installments of \$20,918, including interest at 3.5%. Paid out of the Capital Improvement Fund. Due in 2025.	81,871
2015 Sales Tax Revenue Bond. Payable in quarterly installments of \$22,883, including interest at 2.25%. Paid out of the Special Tax Fund. Due in 2025.	178,515
2016 Solid Waste Revenue Bond for landfill baler replacement. Payable in semi-annual installments of \$21,938, including interest at 2.25%. Paid out of the Special Tax Fund. Due in 2026.	126,594
2016 Sales Tax Revenue Bond. Payable in semi-annual installments of of varying amounts, including interest rates ranging from 2.25% to 3.90%. Paid out of the Capital Improvement Fund and Waste Water Fund. Due in 2036.	4,498,927
2017 Sales Tax Revenue Bond for the Hilger's Gulch Sanitary Sewer Phase 1. Only a portion of the \$1,450,000 has been drawn. Payable in quarterly installments of \$40,582 beginning August 2019, including interest at 2.25%. Paid out of the Special Tax Fund. Due in 2029.	481,659
2020 Sales Tax Revenue Bond for the Outdoor Pool. Payable in semi-annual installments of \$387,370 beginning 2021, including interest at 1.94%. Paid out of the General Fund. Due in 2035.	<u>8,258,524</u>
Total Revenue Bonds	<u>14,449,695</u>
Compensated Absences:	
Annual Leave	466,624
Sick Leave	393,512
Comp Leave	<u>7,835</u>
Total Compensated Absences	<u>867,971</u>
Right-to-use Leases	146,073
Other Post Employment Benefits	<u>749,263</u>
Total Governmental Activity Debt	<u>16,213,002</u>

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Business-type Activity Debt:

Revenue Bonds:

2016 Sales Tax Revenue Bond. Payable in semi-annual installments of varying amounts, including interest rates ranging from 2.25% to 3.90%. Paid out of the Capital Improvement Fund and Waste Water Fund. Due in 2036.	685,784
2019 Electric Revenue Refunding Bonds, to refund bonds previously issued for a new electric substation. Payable in semi-annual installments of \$337,340, including interest at 2.98%. Paid out of the Electric Fund. Due in 2039.	8,536,436
2017 Electric Revenue Bonds, for electric infrastructure. Payable in semi-annual installments of varying amounts, including interest at 2.98%. Paid out of the Electric Fund. Due in 2037.	6,444,000
2016 Clean Water State Revolving Fund for waste water treatment facility improvements. Payable in quarterly installments of \$45,144, including interest at 2.25% and a .75% surcharge. Paid out of the Waste Water Fund Due in 2039.	2,203,351
2021 Clean Water State Revolving Fund for wastewater treatment facility Improvements. Payable in annual installments of \$930,667, including interest at 2.0% and a .5% surcharge. Paid out of the Waste Warter Fund. Due in 2043.	15,182,972
2020 Drinking Water State Revolving Fund for water treatment facility construction. Payable in quarterly installments of \$437,416 including interest at 2.0% and a .5% surcharge. Paid out of the Water Fund. Due in 2052.	<u>33,856,961</u>
Total Revenue Bonds	<u>66,909,504</u>

Compensated Absences:

Annual Leave	192,827
Sick Leave	167,808
Comp Leave	<u>2,348</u>
Total Compensated Absences	<u>362,983</u>

Right-to-use Leases	3,987
Other Post Employment Benefits	<u>311,532</u>

Total Business-type Activity Debt	<u>67,588,006</u>
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Total Primary Government	<u>\$ 83,801,008</u>
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Component Unit Compensated Absences	<u>\$ 8,582</u>
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City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 11 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of December 31, 2023, excluding compensated absences and other post-employment benefits, are as follows:

Governmental Activities:

	Revenue Bonds		Tax Increment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending December 31						
2024	\$ 1,247,348	\$ 307,283	\$ 120,387	\$ 28,075	\$ 1,367,735	\$ 335,358
2025	1,191,932	279,030	127,099	21,363	1,319,031	300,393
2026	1,126,720	252,730	134,186	14,276	1,260,906	267,006
2027	1,100,049	246,711	141,667	6,794	1,241,716	253,505
2028	1,126,761	219,980	16,805	462	1,143,566	220,442
2029 - 2033	5,404,821	724,265	-	-	5,404,821	724,265
2034 - 2036	2,711,920	115,537	-	-	2,711,920	115,537
	<u>\$ 13,909,551</u>	<u>\$ 2,145,536</u>	<u>\$ 540,144</u>	<u>\$ 70,970</u>	<u>\$ 14,449,695</u>	<u>\$ 2,216,506</u>

Business-type Activities:

	Revenue Bonds	
	Principal	Interest
Year Ending December 31		
2024	\$ 2,329,295	\$ 1,706,132
2025	2,522,132	1,644,026
2026	2,587,537	1,578,761
2027	2,653,064	1,515,086
2028	2,721,469	1,446,283
2029 - 2033	14,701,875	6,136,756
2034 - 2038	16,005,422	4,125,506
2039 - 2043	11,758,781	2,365,017
2044 - 2048	7,514,681	1,233,639
2049 - 2052	4,115,248	245,433
	<u>\$ 66,909,504</u>	<u>\$ 21,996,639</u>

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

Ending December 31	Governmental Leases		Business-type Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 36,929	\$ 7,709	\$ 1,486	\$ 24	\$ 38,415	\$ 7,733
2025	37,251	5,984	1,497	13	38,748	5,997
2026	39,490	3,255	1,004	3	40,494	3,258
2027	32,403	1,003	-	-	32,403	1,003
	<u>\$ 146,073</u>	<u>\$ 17,951</u>	<u>\$ 3,987</u>	<u>\$ 40</u>	<u>\$ 150,060</u>	<u>\$ 17,991</u>

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 12 - CONDUIT DEBT

During the year ended December 31, 2018, the City issued revenue bonds to provide financial assistance to Capital Area Counseling Service, Inc. to finance the construction of a health and addiction treatment office building that has been deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the constructed facilities will be retained by the Capital Area Counseling Service, Inc. Neither the City, the State of South Dakota, nor any political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2023, there was one series of conduit bonds outstanding, with an unpaid principal amount of \$2,127,781.

The City authorized the issuance of revenue bonds to provide financial assistance to the Oahe YMCA for construction up to \$3 million. As of December 31, 2023, the unpaid principal amount related to these conduit bonds was \$2,500,000.

NOTE 13 - LEASES

Lessee

The City entered into a five-year lease for 50 golf carts in 2023. An initial lease liability was recorded in the amount of \$150,908. As of December 31, 2023, the value of the lease liability was \$119,680. The City is required to make monthly fixed payments of \$3,210. The lease had an interest rate of 6.75%. The value of the right-to-use assets as of December 31, 2023 was \$150,908 with accumulated amortization of \$17,359. The golf carts are included on the Leased Equipment line of the governmental activities table in Note 9.

The City leases office equipment for various departments including copiers and postage machines. These leases require monthly fixed payments ranging from \$33 to \$200 and terminate from 2024 to 2027. An initial lease liability was recorded for \$85,975 across the airport fund and the governmental activities of the City. The leases have interest rates of 0.258% to 2.536%. The value of the right-to-use assets as of December 31, 2023 was \$85,975 with accumulated amortization of \$55,674. The office equipment is included on the Leased Equipment line of the governmental and business type activities tables in Note 9.

Lessor

The City leases hangar space at the airport under various agreements. These agreements require annual payments ranging from \$120 to \$3,675 and terminate between 2024 and 2051. Initial lease receivable was recorded in the amount of \$132,380. As of December 31, 2023, the value of the lease receivable was \$103,807. The lessees are required to make annual variable fixed in substance principal and interest payments of \$14,286. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2023 was \$115,133 and the City recognized lease revenues of \$16,328 for the year then ended. The lessees may have options to extend for up to 60 months. These lease agreements are reflected in the airport fund.

The City leases space in the airport terminal to the Transportation Security Administration under a 120-month agreement. An initial lease receivable was recorded in the amount of \$190,817. As of December 31, 2023, the value of the lease receivable was \$168,683. The lessee is required to make monthly fixed payments of \$2,127. The lease has an interest rate of 3.1270%. The value of the deferred inflow of resources as of December 31, 2023 was \$165,323 and the City recognized lease revenues of \$19,082 for the year then ended. The lessee has one option to extend the lease for 60 months. This lease agreement is reflected in the airport fund.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 13 - LEASES (CONTINUED)

The City leases land around the airport under various agreements. These agreements require annual payments ranging from \$120 to \$3,675 and terminate between 2024 and 2051. Initial lease receivable was recorded in the amount of \$199,371. As of December 31, 2023, the value of the lease receivable was \$136,639. The lessees are required to make annual variable principal and interest payments of \$67,750 based on a CPI index of 0.0%. The leases have interest rates of 1.695%. The value of the deferred inflow of resources as of December 31, 2023 was \$147,214 and the City recognized lease revenues of \$61,898 for the year then ended. The lessees may have options to extend for up to 60 months. These lease agreements are reflected in the Airport Fund.

The City entered into a two-year lease (expiring in 2023) with Key Lime Air Corporation, DBA as Denver Air Connection. An initial lease receivable was recorded in the amount of \$69,585. As of December 31, 2023, the value of the lease receivable was \$0. The lessee is required to make monthly variable fixed in substance principal and interest payments of \$3,873. The lease has an interest rate of 0.258%. The value of the deferred inflow of resources as of December 31, 2023 was \$0 and the City recognized \$23,070 of lease revenues for the year then ended. This lease agreement is reflected in the Airport Fund.

The City has a 252-month lease agreement for the use of FBO - Mustang Aviation 2018-2042 Frontage, Parking, Grass Area. An initial lease receivable in the amount of \$23,487 was recorded on January 1, 2022. As of December 31, 2023, the value of the lease receivable is \$20,426. The lessee is required to make annual variable principal and interest payments of \$1,266 based on a CPI index of 0.00%. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2023 was \$21,247 and the City recognized lease revenue of \$1,118 during the year then ended. The lessee has two extension options, each for 60 months. This lease agreement is reflected in the airport fund.

The City has a 252-month lease agreement for the use of the FBO - Mustang Aviation 2018-2042 Building. An initial lease receivable in the amount of \$102,581 was recorded on January 1, 2022. As of December 31, 2023, the value of the lease receivable is \$88,547. The lessee is required to make annual fixed payments of \$5,749. The lease has an interest rate of 1.695%. The value of the deferred inflow of resources as of December 31, 2023 was \$92,799 and the City recognized lease revenue of \$4,885 during the year then ended. The lessee has two extension options, each for 60 months. This lease agreement is reflected in the Airport Fund.

The City has various leases for the use of facilities at the airport. Initial lease receivables were recorded in the amount of \$15,730. As of December 31, 2023, the value of the lease receivables was \$0. The lessee is required to make annual fixed payments of \$13,142. The leases have an interest rate of 1.446%. The value of deferred inflows of resources as of December 31, 2023 was \$0 and the City recognized lease revenue of \$13,505 during the year then ended. This lease agreement is reflected in the Airport Fund.

The City has a 1024-month lease for the use of land by the Pierre Economic Development Corporation. An initial lease receivable was recorded in the amount of \$215,500. As of December 31, 2023, the value of the lease receivable was \$207,500. The lessee is required to make annual fixed payments of \$2,500. The lease has a 0.0% interest rate. The value of the deferred inflow of resources as of December 31, 2023 was \$207,512 and the City recognized \$2,490 of lease revenue for the year then ended. The lessee has one extension option for 600 months. This lease is reflected in the General Fund.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 13 - LEASES (CONTINUED)

The City leases various properties under agreements ranging from 12 to 72 months. Initial lease receivables were recorded in the amount of \$89,946. As of December 31, 2023, the value of the lease receivable was \$42,632. The lease agreements require annual fixed payments ranging from \$220 to \$7,391. The leases have interest rates from 0.38% to 2.145%. The value of deferred inflows of resources as of December 31, 2023 was \$44,760 and the City recognized \$16,150 of lease revenues for the year ended. These leases are reflected in the General Fund.

NOTE 14 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023 were as follows:

Transfers From:	Transfers In:						Total
	General Fund	Special Tax Fund	Water Fund	Airport Fund	Other Governmental Funds	Other Enterprise Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,621	\$ 307,621
Special Tax Fund	148,791	-	-	-	-	-	148,791
Capital Improvement Fund	419,933	-	-	-	253,155	-	673,088
Other Governmental Funds	36,544	84,368	-	-	-	-	120,912
Electric Fund	850,000	-	-	-	-	-	850,000
Water Fund	550,000	-	-	-	-	-	550,000
Waste Water Fund	550,000	-	-	-	-	-	550,000
General Fixed Assets	-	-	65,300	1,107	-	-	66,407
	<u>\$ 2,555,268</u>	<u>\$ 84,368</u>	<u>\$ 65,300</u>	<u>\$ 1,107</u>	<u>\$ 253,155</u>	<u>\$ 307,621</u>	<u>\$ 3,266,819</u>

All transfers were to subsidize operations within funds.

Interfund balances as of December 31, 2023 consisted of the following:

Due From:	Due To:		
	Electric Fund	General Fund	Waste Water Fund
Major Funds:			
Airport Fund	\$ 4,032,048	\$ -	\$ 1,279,719
Non-major Funds:			
Public Education Channel	-	954	-
Storm Drainage Fund	-	-	6,428
Landfill	-	396,703	-
Garbage Fund	-	858	-
	<u>\$ 4,032,048</u>	<u>\$ 398,515</u>	<u>\$ 1,286,147</u>

Interfund borrowing was related to cash deficiencies. These balances are expected to be repaid subsequent to year-end.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 15 - RETIREMENT PLAN

Plan Information

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Benefits Provided

SDRS has four different classes of employees: Class A general members; Class B public safety and judicial members; Class C Cement Plant Retirement Fund members; and Class D Department of Labor and Regulations members.

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

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 15 - RETIREMENT PLAN (CONTINUED)

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 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 if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ended December 31, 2023, 2022, and 2021 was \$650,284, \$609,387, and \$564,483, respectively, and were equal to the required contributions each year.

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

At June 30, 2023, SDRS was 100.07% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the City as of this measurement period ending June 30, 2023, and reported by the City as of December 31, 2023 were as follows:

Proportionate Share of Total Pension Liability	\$ 60,202,162
Less: Proportionate Share of Net Position Restricted for Pension Benefits	<u>60,242,711</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (40,549)</u>

At December 31, 2023, the City reported a liability (asset) of \$(40,549) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 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, 2023, the City's proportion was 0.415454% which was a 0.013923% increase from its proportion measured as of June 30, 2022.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 15 - RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2023, the City recognized pension expense (reduction of pension expense) of \$179,274. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,149,414	\$ -
Changes in Assumption	1,386,354	2,026,541
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	269,969	-
Changes in Proportion and Difference Between the		
Contributions and Proportionate Share of Contributions	19,287	25,735
Contributions Subsequent to the Measurement Date	322,319	-
	<u>\$ 3,147,343</u>	<u>\$ 2,052,276</u>

There is \$322,319 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reductions of pension expense) as follows:

Year Ended December 31	
2024	\$ 553,068
2025	(614,917)
2026	780,113
2027	54,484
2028	-
Thereafter	-
	<u>\$ 772,748</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expenses. This is composed on an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 15 - RETIREMENT PLAN (CONTINUED)

Mortality Rates

All mortality rates are based on Pub-2010 amount-weighted mortality tables projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed-income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	100.0%	

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 15 - RETIREMENT PLAN (CONTINUED)

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,311,361	\$ (40,549)	\$ (6,870,820)

Pension Plan Fiduciary Net Position

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

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023, the City managed its risks as follows:

Employee Health Insurance

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

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

	<u>Balance at January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at December 31</u>
2023	\$ 40,944	\$ 1,343,766	\$ 1,272,710	\$ 112,000
2022	54,812	972,815	986,683	40,944
2021	660,843	1,114,411	1,720,442	54,812

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 16 - RISK MANAGEMENT (CONTINUED)

Worker's Compensation:

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

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the last three years.

Liability Insurance

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

The City carries deductibles between \$0 and \$15,000 for the coverage provided. The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

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

Component Unit

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 17 - CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each Statement of Net Position date. The \$818,589 reported as landfill closure and post-closure care liability at December 31, 2023, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill, which was closed in 2006, and 9.29% of the new landfill, which opened in 2006. The City will recognize the remaining estimated cost of closure and post-closure care of approximately \$6.4 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. The closure and post-closure costs have been calculated using a closure period when the largest amount of landfill would be open and require the most costly closure activity. This conservative approach assumes a partial closure date of 2069. The ultimate capacity of the landfill is expected to be reached sometime after 2144. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City was in compliance with these requirements, and at December 31, 2023, the City had contributed \$1,148,666 to this trust. The City expects that any future inflation costs will be paid from earnings on these investments and future contributions. However, if investment earnings are inadequate or additional closure or post-closure care requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN

Plan Description

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

Funding Policy

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)

Changes in Liability

For the year ended December 31, 2023, the beginning balance of OPEB liability was \$1,405,934. Total OPEB liability was determined as of the measurement date, which is January 1, 2023. The changes in total OPEB liability for 2023 were as follows:

Total OPEB Liability - December 31, 2022	\$ 1,405,934
Changes for the Year:	
Service Cost	62,586
Interest on Total OPEB Liability	28,625
Assumption Changes	(183,714)
Differences Between Expected and Actual Experience	(177,737)
Benefit Payments	<u>(74,900)</u>
Total OPEB Liability - December 31, 2023	<u>\$ 1,060,794</u>

For the year ended December 31, 2023, the City recognized OPEB expense of \$73,017. OPEB expense was determined as follows:

Service Cost	\$ 62,586
Interest on Total OPEB Liability	28,625
Liability Gain or Loss	(135,303)
Assumption Changes	<u>(28,925)</u>
	<u>\$ (73,017)</u>

For the year ended December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains or Losses	\$ -	\$ 412,238
Changes in Assumption	44,550	228,501
Contributions Subsequent to the Measurement Date	<u>66,620</u>	<u>-</u>
	<u>\$ 111,170</u>	<u>\$ 640,739</u>

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

Year Ended December 31	
2024	\$ (164,230)
2025	(146,882)
2026	(164,597)
2027	(60,242)
2028	(60,238)
Thereafter	<u>-</u>
	<u>\$ (596,189)</u>

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions

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

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

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

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following assumptions:

- Since the plan is not funded by an irrevocable trust, the discount rate is set by reviewing 20-year municipal bond yields. The discount rate used is 4.00%.
- The municipal bond rate assumption was set by considering published rate information for 20-year high-quality, tax-exempt, general obligation municipal bonds as of the measurement date.
- Mortality rates were based on the Pub-2010 Public Retirement Plans General Headcount – Weighted Mortality Tables with the MP-2020 Generational Improvement Scale.
- Medical trend rates were chosen based on a review of historical healthcare increase rates, projected healthcare increase rates, and projected healthcare expenditures as a percentage of GDP. Medical trend rate was 6.25% as of January 1, 2023 grading to 5.00% over 6 years and then to 4.00% over the next 48 years.
- The future retiree participation rate was assumed to be 75% for pre-65 where the subsidy is available and 35% for pre-65 where the subsidy is not available.
- The salary scale was determined based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The long-term inflation assumption has been chosen based on a review of historical changes in the Consumer Price Index. Annual salary increases and inflation rates used were:

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

Sensitivity Analysis

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

	<u>1% Decrease 3.0%</u>	<u>Current Discount Rate 4.0%</u>	<u>1% Increase 5.0%</u>
Total OPEB Liability	\$ 1,137,819	\$ 1,060,794	\$ 989,614

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 18 - POST EMPLOYMENT BENEFITS - HEALTHCARE PLAN (CONTINUED)

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

	1% Decrease 4.0%	Current Discount Rate 5.0%	1% Increase 6.0%
Total OPEB Liability	\$ 975,138	\$ 1,060,794	\$ 1,159,887

NOTE 19 - SIGNIFICANT COMMITMENTS

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

NOTE 20 - EXPOSITION BUILDING

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

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

The City's interest in the facility as of December 31, 2023 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent. Financial information for the joint operation is available from the Hughes County Finance Office.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. Each member contributes to the annual operating budget of the Exposition Building. At December 31, 2023, this joint operation had total cash of \$53,636, of which the City's deposits were 35%, or \$18,773.

NOTE 21 - PLEDGED REVENUES

The City has pledged future electric customers' revenues, net of specified operating expenses, to repay \$14,980,436 in electric fund revenue bonds issued in 2017 and 2019. Proceeds from the bonds provided financing for the construction of electrical infrastructure. The bonds are payable solely from electric customer net revenues and are payable through 2039. The total principal and interest remaining to be paid on the bonds is \$18,721,534. Principal and interest paid for the current year and total customer net revenue were \$1,242,027 and \$4,481,345, respectively.

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 21 - PLEDGED REVENUES (CONTINUED)

The City has pledged future sewer customers' revenues, net of specified operating expenses, to repay \$2,889,135 in waste water fund revenue bonds issued in 2010 and 2017. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer infrastructure and for repairs to the waste water system. Not all funds have been drawn down. The bonds are payable solely from waste water customer net revenues and are payable through 2039. The total principal and interest remaining to be paid on the bonds is \$3,596,661. Principal and interest paid for the current year and total customer net revenue were \$244,110 and \$1,588,353, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$33,856,961 in water fund revenue bonds issued in 2022. Proceeds from the bonds provided financing for the construction of a new water treatment plant. The bonds are payable solely from water customer net revenues and are payable through 2052. The total principal and interest remaining to be paid on the bonds is \$48,102,084. Principal and interest paid for the current year and total customer net revenue were \$882,321 and \$1,027,671, respectively.

NOTE 22 - SIGNIFICANT CONTINGENCIES - LITIGATION

The City, at times, may be a defendant or plaintiff in lawsuits arising principally in the normal course of operations. The City has retained legal counsel for suits as they arise and works with insurance carriers on the defense of claims as applicable. As of December 31, 2023, there were no pending claims against the City. The City is involved in litigation but does not expect outcomes to be unfavorable to the City at this time.

NOTE 23 - TAX ABATEMENTS

The City has three active TIF districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the City Commission, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling \$165,860 were received by the City and paid to project sponsors during 2023.

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

The City entered into a sales tax abatement agreement during the year ended December 31, 2021 for a local business. The first payment of this rebate would have been in November of 2022, though sales were not above the required threshold for the applicable time period. No accrual has been made at this time as a payment is not likely in 2024.

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

City of Pierre, South Dakota
Notes to the Financial Statements
December 31, 2023

NOTE 24 - SUBSEQUENT EVENTS

In April 2024, the City Commission approved a resolution for the issuance of \$1,303,200 of sales tax bonds and \$325,000 of grant funding from the state revolving fund for the design and construction of landfill cell #4. Under the terms of the resolution, the City is required to establish the Clean Water Borrower Bond Fund for the tracking of all construction costs of the project and to record sales taxes collected and principal and interest payments related to this obligation. The project was bid in 2025 and awarded for \$1,822,534. The City plans to request additional loan funding in the amount of \$516,000 to cover the costs of the accepted bid.

City is coordinating water and sanitary sewer improvements with the South Dakota Department of Transportation(SD DOT) reconstruction of US Hwy 14 (Euclid Avenue). The SD DOT solicited bids for the project in accordance with the joint powers agreement. The City's portion of the project was awarded to Morris, Inc. on December 11, 2024 in the amount of \$5,865,525 (per January 14, 2025 minutes). The City authorized a revenue bond in the amount of \$5,075,823 to be paid by the water fund in December 2024. The revenue requires the implementation of a surcharge to customers of \$4.50. The City will also assess property owners for water line extensions. The project is expected to be completed in November 2026.

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pierre, South Dakota
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Taxes:				
General Property Taxes	\$ 3,586,442	\$ 3,586,442	\$ 3,565,567	\$ (20,875)
General Sales and Use Taxes	4,856,517	4,856,517	4,802,070	(54,447)
Penalties and Interest on				
Delinquent Taxes	9,000	9,000	14,783	5,783
Licenses and Permits	404,180	404,180	473,188	69,008
Intergovernmental Revenue:				
Federal Grants	225,000	225,000	17,852	(207,148)
State Grants	121,000	147,525	566,937	419,412
State Shared Revenue:				
Bank Franchise	157,000	157,000	212,900	55,900
Liquor Tax Reversion	100,000	100,000	96,857	(3,143)
Motor Vehicle Licenses (5%)	119,000	119,000	116,127	(2,873)
Local Government Highway and Bridge Fund	320,000	320,000	354,360	34,360
County Shared Receipts:				
County Road Tax (25%)	6,000	6,000	-	(6,000)
Other	12,000	12,000	-	(12,000)
Charges for Goods and Services:				
General Government	2,235,635	2,235,635	2,050,189	(185,446)
Public Safety	25,837	25,837	27,311	1,474
Culture and Recreation	662,100	662,100	819,382	157,282
Cemetery	39,000	39,000	29,804	(9,196)
Fines and Forfeits:				
Court Fines and Costs	5,000	5,000	887	(4,113)
Parking Meter Fines	4,700	4,700	4,625	(75)
Miscellaneous Revenue:				
Investment Earnings	-	-	1,462,266	1,462,266
Rentals	36,240	36,240	29,410	(6,830)
Special Assessments	5,100	5,100	5,513	413
Contributions from Private Sources	5,200	17,375	156,726	139,351
Other	128,000	128,000	207,115	79,115
TOTAL REVENUES	<u>13,062,951</u>	<u>13,101,651</u>	<u>15,013,869</u>	<u>1,912,218</u>

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

City of Pierre, South Dakota
Budgetary Comparison Schedule - General Fund - Budgetary Basis
(Continued)
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>(Budgetary</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>(Negative)</u>
EXPENDITURES				
General Government:				
Legislative	\$ 132,826	\$ 164,096	\$ 159,106	\$ 4,990
Elections	10,600	10,600	3,658	6,942
Financial Administration	2,807,976	3,169,976	3,188,064	(18,088)
Other	2,236,798	2,119,998	2,092,326	27,672
Public Safety:				
Police	3,023,860	3,173,020	2,947,666	225,354
Fire	510,397	547,297	500,614	46,683
Public Works:				
Highways and Streets	2,780,700	2,790,700	2,821,359	(30,659)
Cemeteries	226,205	254,425	228,186	26,239
Transit	125,000	125,000	125,000	-
Health and Welfare:				
Health	19,300	51,300	51,504	(204)
Other	82,130	82,130	74,630	7,500
Culture and Recreation:				
Recreation	639,139	14,956,866	11,204,843	3,752,023
Parks	2,392,435	2,698,139	2,686,602	11,537
Libraries	830,496	857,471	831,433	26,038
Museum	33,500	37,075	37,458	(383)
Conservation and Development:				
Economic Development	1,032,805	1,031,756	975,576	56,180
TOTAL EXPENDITURES	<u>16,884,167</u>	<u>32,069,849</u>	<u>27,928,025</u>	<u>4,141,824</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,821,216)</u>	<u>(18,968,198)</u>	<u>(12,914,156)</u>	<u>6,054,042</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,146,663	3,146,663	3,141,101	(5,562)
Transfers Out	-	(850,000)	(857,621)	(7,621)
Contingency	(50,000)	-	-	-
Sale of City Property	62,000	62,000	14,295	(47,705)
NET OTHER FINANCING SOURCES (USES)	<u>3,158,663</u>	<u>2,358,663</u>	<u>2,297,775</u>	<u>(60,888)</u>
CHANGE IN FUND BALANCE	<u>(662,553)</u>	<u>(16,609,535)</u>	<u>(10,616,381)</u>	<u>5,993,154</u>
FUND BALANCE - BEGINNING	<u>10,268,055</u>	<u>10,268,055</u>	<u>10,268,055</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 9,605,502</u>	<u>\$ (6,341,480)</u>	<u>\$ (348,326)</u>	<u>\$ 5,993,154</u>

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

City of Pierre, South Dakota
Budgetary Comparison Schedule - Special Sales Tax Fund -
Budgetary Basis
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Taxes:				
General Sales and Use Taxes	\$ 540,000	\$ 540,000	\$ 616,190	\$ 76,190
Investment Earnings	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
TOTAL REVENUES	<u>541,000</u>	<u>541,000</u>	<u>616,190</u>	<u>75,190</u>
EXPENDITURES				
Debt Service	<u>392,210</u>	<u>392,210</u>	<u>380,993</u>	<u>11,217</u>
TOTAL EXPENDITURES	<u>392,210</u>	<u>392,210</u>	<u>380,993</u>	<u>11,217</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>148,790</u>	<u>148,790</u>	<u>235,197</u>	<u>86,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	84,368	84,368
Transfers Out	<u>(148,790)</u>	<u>(148,790)</u>	<u>(148,790)</u>	<u>-</u>
NET OTHER FINANCING SOURCES (USES)	<u>(148,790)</u>	<u>(148,790)</u>	<u>(64,422)</u>	<u>84,368</u>
CHANGE IN FUND BALANCE	-	-	170,775	170,775
FUND BALANCE - BEGINNING	<u>1,469,118</u>	<u>1,469,118</u>	<u>1,469,118</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,469,118</u>	<u>\$ 1,469,118</u>	<u>\$ 1,639,893</u>	<u>\$ 170,775</u>

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

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

	2023	2022	2021	2020	2019	2018
Service Cost	\$ 62,586	\$ 83,740	\$ 81,301	\$ 85,201	\$ 71,176	\$ 65,504
Interest on Total OPEB Liability	28,625	28,255	57,852	70,299	62,770	60,959
Assumption Changes	(183,714)	-	(150,813)	106,357	54,613	-
Differences Between Expected and Actual Experience	(177,737)	-	(475,351)	-	(158,721)	-
Benefit Payments	(74,900)	(69,900)	(124,585)	(101,459)	(90,754)	(63,963)
Net Change in Total OPEB Liability	(345,140)	42,095	(611,596)	160,398	(60,916)	62,500
Net OPEB Obligation - Beginning	1,405,934	1,363,839	1,975,435	1,815,037	1,875,953	1,813,453
Net OPEB Obligation - Ending	<u>\$ 1,060,794</u>	<u>\$ 1,405,934</u>	<u>\$ 1,363,839</u>	<u>\$ 1,975,435</u>	<u>\$ 1,815,037</u>	<u>\$ 1,875,953</u>
City's Covered-employee Payroll	\$ 9,211,688	\$ 8,421,716	\$ 8,176,423	\$ 8,139,731	\$ 7,902,651	\$ 8,060,063
Total OPEB Liability as a Percentage of Covered-employee Payroll	11.52%	16.69%	16.68%	24.27%	22.97%	23.27%

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

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

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

Fiscal Year Ending*	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/2023	0.415454%	\$ (40,549)	\$ 10,119,387	0.40%	100.07%
12/31/2022	0.401531%	(37,945)	9,024,293	0.42%	100.10%
12/31/2021	0.418920%	(3,208,211)	8,946,150	35.86%	105.52%
12/31/2020	0.415987%	(18,066)	8,608,423	0.21%	100.04%
12/31/2019	0.421337%	(44,651)	8,444,228	0.53%	100.09%
12/31/2018	0.431913%	(10,073)	8,472,104	0.12%	100.02%
12/31/2017	0.433107%	(39,305)	8,290,255	0.47%	100.10%
12/31/2016	0.456733%	1,542,797	8,170,878	18.88%	96.89%
12/31/2015	0.454908%	(1,929,396)	7,814,078	24.69%	104.10%

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

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

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

Year Ending	Contractually Required Contributions (a)	Contributions in Relation to the Contractually Required Contributions in (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2023	\$ 650,284	\$ 650,284	\$ -	\$ 10,279,429	6.33%
12/31/2022	609,387	609,387	-	9,574,707	6.36%
12/31/2021	564,483	564,483	-	8,861,076	6.37%
12/31/2020	559,013	559,013	-	8,782,302	6.37%
12/31/2019	547,289	547,289	-	8,600,267	6.36%
12/31/2018	540,673	540,673	-	8,506,337	6.36%
12/31/2017	529,917	529,917	-	8,318,683	6.37%
12/31/2016	528,468	528,468	-	8,295,292	6.37%
12/31/2015	508,955	508,955	-	7,988,543	6.37%

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

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

City of Pierre, South Dakota
Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

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 City Commission meeting in September of each year, or within ten days thereafter, the City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the City Commission, the operating budget is legally binding, and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total City budget and may be transferred by resolution of the City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution to the City Commission.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
7. Budgets for the General Fund and Special Revenue Funds are adopted on a cash basis and do not reflect accruals for receivables or payables.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

NOTE 3 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Changes in Benefit Terms:

No significant changes.

City of Pierre, South Dakota
Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

NOTE 4 - SCHEDULE OF PENSION CONTRIBUTIONS

Changes from Prior Valuation:

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

Benefit Provision Changes:

During the 2023 Legislative Session, no significant SDRS benefit changes were made. Emergency medical services personnel prospectively became Class B Public Safety Members.

Actuarial Method Changes:

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third quarter CPI-W over the prior year, no less than 0% 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 an FVFR equal to or exceeding 100%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (1.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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

City of Pierre, South Dakota
Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

NOTE 4 - SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

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

Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION

City of Pierre, South Dakota
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2023

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
ASSETS										
Cash and Cash Equivalents	\$ 766,488	\$ 559,245	\$ 60,338	\$ 45,363	\$ 16,638	\$ -	\$ -	\$ 978,797	\$ -	\$ 2,426,869
Accounts Receivable, Net	12,599	9,639	-	-	-	12,006	-	12,368	-	46,612
Unbilled Accounts Receivable	-	-	-	-	-	-	-	56,749	-	56,749
Due from Other Governments	-	17,055	-	-	-	-	-	-	-	17,055
Prepaid Expenses	2,775	-	-	-	-	4,470	-	-	-	7,245
Inventory of Supplies	-	-	-	-	-	-	-	96,965	-	96,965
Restricted Cash and Cash Equivalents	-	-	-	-	-	-	54,464	-	-	54,464
TOTAL ASSETS	<u>\$ 781,862</u>	<u>\$ 585,939</u>	<u>\$ 60,338</u>	<u>\$ 45,363</u>	<u>\$ 16,638</u>	<u>\$ 16,476</u>	<u>\$ 54,464</u>	<u>\$ 1,144,879</u>	<u>\$ -</u>	<u>\$ 2,705,959</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts Payable	\$ 18,244	\$ 732	\$ -	\$ 148	\$ -	\$ 882	\$ -	\$ -	\$ -	\$ 20,006
Payroll Liabilities	-	7,439	-	-	-	-	-	-	-	7,439
Due to Other Funds	-	-	-	-	-	954	-	6,428	-	7,382
Revenue Collected in Advance	-	-	-	-	-	-	-	3,886	-	3,886
Total Liabilities	<u>18,244</u>	<u>8,171</u>	<u>-</u>	<u>148</u>	<u>-</u>	<u>1,836</u>	<u>-</u>	<u>10,314</u>	<u>-</u>	<u>38,713</u>
Deferred Inflows of Resources:										
Unavailable Revenues	<u>-</u>	<u>22,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,820</u>	<u>-</u>	<u>39,777</u>
Fund Balances:										
Nonspendable	2,775	-	-	-	-	4,470	50,000	106,741	-	163,986
Restricted	-	554,811	60,338	-	-	-	4,464	1,011,004	-	1,630,617
Committed	<u>760,843</u>	<u>-</u>	<u>-</u>	<u>45,215</u>	<u>16,638</u>	<u>10,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>832,866</u>
Total Fund Balances	<u>763,618</u>	<u>554,811</u>	<u>60,338</u>	<u>45,215</u>	<u>16,638</u>	<u>14,640</u>	<u>54,464</u>	<u>1,117,745</u>	<u>-</u>	<u>2,627,469</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 781,862</u>	<u>\$ 585,939</u>	<u>\$ 60,338</u>	<u>\$ 45,363</u>	<u>\$ 16,638</u>	<u>\$ 16,476</u>	<u>\$ 54,464</u>	<u>\$ 1,144,879</u>	<u>\$ -</u>	<u>\$ 2,705,959</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended December 31, 2023

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
REVENUES										
Taxes:										
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,847	\$ 243,847
General Sales and Use Taxes	237,275	-	-	-	-	-	-	-	-	237,275
Intergovernmental Revenue:										
State Grants	-	619,792	-	-	-	4,000	-	-	-	623,792
State Shared Revenues:										
911 Remittances	-	229,858	-	-	-	-	-	-	-	229,858
Charges for Goods and Services:										
General Government	-	-	-	-	-	157,229	-	-	-	157,229
Public Safety	-	228,989	-	18,000	-	-	-	-	-	246,989
Highways and Streets	-	-	-	-	-	-	-	481,414	-	481,414
Culture and Recreation	-	-	1,881	-	-	-	-	-	-	1,881
Miscellaneous Revenues:										
Investment Earnings	-	-	875	-	-	-	-	-	-	875
Contributions From Private Sources	-	-	2,562	-	2,025	-	-	-	-	4,587
Other	-	4,499	-	-	-	-	-	-	-	4,499
TOTAL REVENUES	<u>237,275</u>	<u>1,083,138</u>	<u>5,318</u>	<u>18,000</u>	<u>2,025</u>	<u>161,229</u>	<u>-</u>	<u>481,414</u>	<u>243,847</u>	<u>2,232,246</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2023

	Occupancy Tax Fund	E-911 Fund	Library Trust Fund	Police Pistol Fund	Police Cadets Fund	Public/ Education Government Channel Fund	Perpetual Care Fund	Storm Drainage Fund	TIF Fund	Total Nonmajor Governmental Funds
EXPENDITURES										
General Government:										
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,512	\$ -	\$ -	\$ -	\$ 128,512
Public Safety:										
Police	-	1,356,183	-	4,652	3,157	-	-	-	-	1,363,992
Public Works:										
Highways and Streets	-	-	-	-	-	-	-	2,022	-	2,022
Culture and Recreation:										
Libraries	-	-	6,319	-	-	-	-	-	-	6,319
Conservation and Development:										
Economic Development	139,332	-	-	-	-	-	-	-	-	139,332
Debt Service	-	-	-	-	-	-	-	-	159,479	159,479
Intergovernmental										
Capital Outlay	-	72,569	-	-	-	-	-	365,002	-	437,571
TOTAL EXPENDITURES	<u>139,332</u>	<u>1,428,752</u>	<u>6,319</u>	<u>4,652</u>	<u>3,157</u>	<u>128,512</u>	<u>-</u>	<u>367,024</u>	<u>159,479</u>	<u>2,237,227</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>97,943</u>	<u>(345,614)</u>	<u>(1,001)</u>	<u>13,348</u>	<u>(1,132)</u>	<u>32,717</u>	<u>-</u>	<u>114,390</u>	<u>84,368</u>	<u>(4,981)</u>
OTHER FINANCING SOURCES (USES)										
Transfers In (Out)	-	253,155	-	-	-	(36,544)	-	-	(84,368)	132,243
Insurance Proceeds	-	37,870	-	-	-	-	-	-	-	37,870
Net Other Financing Sources (Uses)	-	291,025	-	-	-	(36,544)	-	-	(84,368)	170,113
CHANGE IN FUND BALANCES	<u>97,943</u>	<u>(54,589)</u>	<u>(1,001)</u>	<u>13,348</u>	<u>(1,132)</u>	<u>(3,827)</u>	<u>-</u>	<u>114,390</u>	<u>-</u>	<u>165,132</u>
FUND BALANCE - BEGINNING	<u>665,675</u>	<u>609,400</u>	<u>61,339</u>	<u>31,867</u>	<u>17,770</u>	<u>18,467</u>	<u>54,464</u>	<u>1,003,355</u>	<u>-</u>	<u>2,462,337</u>
FUND BALANCE - ENDING	<u>\$ 763,618</u>	<u>\$ 554,811</u>	<u>\$ 60,338</u>	<u>\$ 45,215</u>	<u>\$ 16,638</u>	<u>\$ 14,640</u>	<u>\$ 54,464</u>	<u>\$ 1,117,745</u>	<u>\$ -</u>	<u>\$ 2,627,469</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Net Position - Nonmajor Enterprise Funds
December 31, 2023

	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Accounts Receivable, Net	\$ -	\$ 143,996	\$ 143,996
Unbilled Accounts Receivable	-	19,874	19,874
Inventory of Supplies	9,246	122,741	131,987
Total Current Assets	9,246	286,611	295,857
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	1,304,144	1,304,144
Net Pension Assets	211	2,410	2,621
Capital Assets:			
Land	-	4,041,171	4,041,171
Buildings and Infrastructure	-	3,703,002	3,703,002
Machinery and Equipment	172,551	4,482,037	4,654,588
Less: Accumulated Depreciation	(27,002)	(3,925,262)	(3,952,264)
Total Noncurrent Assets	145,760	9,607,502	9,753,262
TOTAL ASSETS	155,006	9,894,113	10,049,119
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	16,369	187,085	203,454
OPEB-related Deferred Outflows	670	5,837	6,507
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,039	192,922	209,961

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Net Position -
Nonmajor Enterprise Funds (Continued)
December 31, 2023

	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	579	30,849	31,428
Accrued Wages Payable	535	4,404	4,939
Current Portion of Leave	849	9,212	10,061
Due to Other Funds	858	396,703	397,561
Revenue Collected in Advance	-	1,916	1,916
Total Current Liabilities	<u>2,821</u>	<u>443,084</u>	<u>445,905</u>
Noncurrent Liabilities:			
Accrued Leave Payable	10,466	113,608	124,074
Accrued Landfill Closure and Post-closure Costs	-	818,589	818,589
Net OPEB Liability	<u>5,593</u>	<u>63,569</u>	<u>69,162</u>
Total Noncurrent Liabilities	<u>16,059</u>	<u>995,766</u>	<u>1,011,825</u>
TOTAL LIABILITIES	<u>18,880</u>	<u>1,438,850</u>	<u>1,457,730</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related Deferred Inflows	10,674	121,992	132,666
OPEB-related Deferred Inflows	<u>3,633</u>	<u>38,548</u>	<u>42,181</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,307</u>	<u>160,540</u>	<u>174,847</u>
NET POSITION			
Net Investment in Capital Assets	145,549	8,300,948	8,446,497
Restricted for:			
SDRS Pension Purposes	5,906	67,503	73,409
Unrestricted	<u>(12,597)</u>	<u>119,194</u>	<u>106,597</u>
TOTAL NET POSITION	<u>\$ 138,858</u>	<u>\$ 8,487,645</u>	<u>\$ 8,626,503</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2023

	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUE			
Charges for Goods and Services	\$ 72,383	\$ 1,845,246	\$ 1,917,629
Miscellaneous	126	3,599	3,725
Total Operating Revenue	<u>72,509</u>	<u>1,848,845</u>	<u>1,921,354</u>
OPERATING EXPENSES			
Personal Services	83,467	914,494	997,961
Other Current Expenses	53,130	715,487	768,617
Materials (Cost of Goods Sold)	217	162,590	162,807
Depreciation	<u>4,502</u>	<u>434,313</u>	<u>438,815</u>
Total Operating Expenses	<u>141,316</u>	<u>2,226,884</u>	<u>2,368,200</u>
OPERATING LOSS	<u>(68,807)</u>	<u>(378,039)</u>	<u>(446,846)</u>
NONOPERATING REVENUE (EXPENSE)			
Capital Grants	-	75,034	75,034
Investment Earnings	-	72,868	72,868
Rental Revenue	-	100	100
Loss on Disposition of Assets	<u>32,500</u>	<u>(20,849)</u>	<u>11,651</u>
Net Nonoperating Revenue (Expense)	<u>32,500</u>	<u>127,153</u>	<u>159,653</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	(36,307)	(250,886)	(287,193)
Transfers In	<u>180,026</u>	<u>127,595</u>	<u>307,621</u>
CHANGE IN NET POSITION	143,719	(123,291)	20,428
NET POSITION - BEGINNING	<u>(4,861)</u>	<u>8,610,936</u>	<u>8,606,075</u>
NET POSITION - ENDING	<u>\$ 138,858</u>	<u>\$ 8,487,645</u>	<u>\$ 8,626,503</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Year Ended December 31, 2023

	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
CASH FLOWS USED BY OPERATING ACTIVITIES			
Receipts from Customers	\$ 72,509	\$ 1,800,982	\$ 1,873,491
Payments to Suppliers	(53,631)	(913,936)	(967,567)
Payments to Employees	<u>(82,211)</u>	<u>(916,703)</u>	<u>(998,914)</u>
Net Cash Used by Operating Activities	<u>(63,333)</u>	<u>(29,657)</u>	<u>(92,990)</u>
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES			
Due to Other Funds	858	201,230	202,088
Transfers from Other Funds	<u>180,026</u>	<u>127,595</u>	<u>307,621</u>
Net Cash Provided by Noncapital Operating Activities	<u>180,884</u>	<u>328,825</u>	<u>509,709</u>
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants	-	75,034	75,034
Other Receipts	-	100	100
Proceeds from Sale of Capital Assets	32,500	49,920	82,420
Purchase of Capital Assets	<u>(150,051)</u>	<u>(467,090)</u>	<u>(617,141)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(117,551)</u>	<u>(342,036)</u>	<u>(459,587)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Cash Invested in Reserve Account	-	(30,000)	(30,000)
Cash Received for Interest	<u>-</u>	<u>72,868</u>	<u>72,868</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>42,868</u>	<u>42,868</u>

See independent auditor's report.

City of Pierre, South Dakota
Combining Statement of Cash Flows -
Nonmajor Enterprise Funds (Continued)
For the Year Ended December 31, 2023

	Garbage Fund	Landfill Fund	Total Nonmajor Enterprise Funds
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	-
BALANCE - BEGINNING	-	-	-
BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (68,807)	\$ (378,039)	\$ (446,846)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation and Amortization Expense	4,502	434,313	438,815
Change in Assets and Liabilities:			
Accounts Receivables/Unbilled Receivables	-	(46,505)	(46,505)
Inventory of Supplies	-	(29,705)	(29,705)
Pension-related Deferred Outflows	5,106	12,865	17,971
OPEB-related Deferred Outflows	185	2,104	2,289
Accounts and Other Payables	(330)	(6,154)	(6,484)
Accrued Wages Payable	288	2,154	2,442
Revenue Collected in Advance	-	(1,358)	(1,358)
Accrued Leave Payable	1,040	(5,846)	(4,806)
Pension Related Deferred Inflows	(2,917)	(4,546)	(7,463)
OPEB-related Deferred Inflows	898	10,211	11,109
OPEB Liability	(3,321)	(18,924)	(22,245)
Pension-related Asset/Liability	<u>23</u>	<u>(227)</u>	<u>(204)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (63,333)</u>	<u>\$ (29,657)</u>	<u>\$ (92,990)</u>

City of Pierre, South Dakota
Statement of Cash Flows - Discretely Presented Component Unit
For the Year Ended June 30, 2023

	Housing and Redevelopment Commission
OPERATING ACTIVITIES	
Receipts from Tenant Payments	\$ 222,868
Receipts from Tenants Through Escrow	(100)
Payments to Employees	(225,944)
Payments to Others for Goods and Services	(383,679)
Housing Assistance Payments	<u>(830,749)</u>
Net Cash Used by Operating Activities	<u>(1,217,604)</u>
NONCAPITAL FINANCING ACTIVITIES	
Operating Grants Received	1,307,351
Other Revenue Received	<u>3,275</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,310,626</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Received	343,938
Sale of Capital Assets	(1,617)
Acquisition of Capital Assets	<u>(487,267)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(144,946)</u>
INVESTING ACTIVITIES	
Interest Income	<u>1,474</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(50,450)
BALANCE - BEGINNING	<u>677,773</u>
BALANCE - ENDING	<u><u>\$ 627,323</u></u>

See independent auditor's report.

City of Pierre, South Dakota
Statement of Cash Flows - Discretely Presented Component Unit (Continued)
For the Year Ended June 30, 2023

	Housing and Redevelopment <u>Commission</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,252,970)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	61,164
Accounts Receivable - Tenants	880
Accounts Receivable - Fraud Recovery	(1,360)
Prepaid Expenses	519
Inventories	(245)
Pension-related Assets	(3,049)
Accounts Payable - Vendors	8,421
Accounts Payable - Other Government	(434)
Accrued Expenses	1,221
Accrued Compensated Absences	2,759
Unearned Revenue	(2,962)
Other Current Liabilities	(31,448)
Tenant Security Deposits	<u>(100)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,217,604)</u>

See independent auditor's report.

City of Pierre, South Dakota
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended December 31, 2023

	Net Collected
First Quarter 2023	\$ 13,067
Second Quarter 2023	15,729
Third Quarter 2023	18,213
Fourth Quarter 2023	<u>16,512</u>
Total PFC Collections for 2023	63,521
Total PFC Collections for 2022	69,342
Total PFC Collections for 2021	66,640
Total PFC Collections for 2020	45,098
Total PFC Collections for 2019	58,458
Total PFC Collections for 2018	34,691
Total PFC Collections for 2017	49,722
Total PFC Collections for 2016	23,858
Total PFC Collections for 2015	28,799
Total PFC Collections for 2014	38,605
Total PFC Collections for 2013	59,251
Total PFC Collections for 2012	50,094
Total PFC Collections for 2011	64,728
Total PFC Collections for 2010	59,124
Total PFC Collections for 2009	43,809
Total PFC Collections for 2008	53,314
Total PFC Collections for 2007	46,383
Total PFC Collections for 2006	57,317
Total PFC Collections for 2005	67,975
Total PFC Collections for 2004	72,726
Total PFC Collections for 2003	<u>51,697</u>
Total PFC Collections for 2003 - 2023	<u>\$ 1,105,152</u>
Total Allowable PFC	\$ 2,070,789
Net Collections to Date	<u>(1,105,152)</u>
Remaining Amount to Collect	<u>\$ 965,637</u>

See independent auditor's report.

SINGLE AUDIT INFORMATION

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

City Commission
City of Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of City of Pierre, South Dakota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 3, 2025. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

City of Pierre's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

September 3, 2025

Independent Auditor's Report on Compliance for Each
Major Federal Program and Report on Internal Control
over Compliance in Accordance with the Uniform Guidance

City Commission
City of Pierre, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pierre, South Dakota's (the City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City's financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre, which expended \$1,552,330 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards during the year ended December 31, 2023. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the Commission engaged other auditors to perform an audit of compliance.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Award Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
September 3, 2025

City of Pierre, South Dakota
Schedule of Findings and Questioned Costs
December 31, 2023

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of the City of Pierre, South Dakota.
- b. Material weaknesses or significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. An instance of noncompliance material to the financial statements of the City was reported in accordance with *Governmental Auditing Standards*.
- d. No instances of noncompliance, material weaknesses, or significant deficiencies in internal control over the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by Uniform Guidance.
- e. The Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by Uniform Guidance expressed an unmodified opinion on the major federal programs.
- f. Audit findings are required to be reported in accordance with 2 CFR section 200.516(a.). There were no findings to report for the current year in this schedule.
- g. The federal award tested as a major program was:
 - Airport Improvement Program, Assistance Listing #21.106
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The City of Pierre, South Dakota did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Noncompliance

Late Filing of Audit with Federal Audit Clearinghouse

2023-001 *Condition:* The Uniform Guidance requires that audits be submitted to the federal audit clearinghouse within the earlier of 30 days of completion of the audit or 9 months of the year-end. The City's audit was not filed within 9 months of year-end.

Criteria: The Uniform Guidance at 2CFR Part 200 Subpart F section 200.507(c) requires that an audit must be completed and the reporting required under this section submitted with the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Cause: The City had significant turnover in Finance Office personnel during the year ended December 31, 2023, resulting in the 2023 audit being delayed.

Effect: The City's submission of the audit was late. The City cannot be considered a low-risk auditee for the next audit period. The City's federal funding may also be at risk related to the late reporting to various federal agencies.

Repeat of Prior Year Finding: No

City of Pierre, South Dakota
Schedule of Findings and Questioned Costs
December 31, 2023

Auditor's Recommendation: We recommend that management work on improving internal control systems and processes in order to complete future audits within the required time frame.

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

Material Weakness

Internal Control over Financial Reporting

2023-002 *Condition:* During the course of the audit, material audit adjustments to the City's recorded account balances and the Schedule of Expenditures of Federal Awards were proposed which, if not recorded, would have resulted in a material misstatement of the City's financial statements and Schedule of Expenditures of Federal Awards.

Criteria: A system of internal controls contemplates accurate recording, reconciliation, and presentation of amounts and disclosures in the financial statements in accordance with generally accepted accounting principles. The City should have an internal control system designed for the drafting of the Schedule of Expenditures of Federal Awards. The Uniform Guidance requires that the auditee prepare an appropriate Schedule of Expenditures of Federal Awards in accordance with Section 200.510.

Cause: The City had significant turnover in Finance Office personnel during the year ended December 31, 2023, resulting in internal control systems not being followed.

Effect: Material audit adjustments were proposed to the City's recorded account balances and the Schedule of Expenditures of Federal Awards.

Repeat of Prior Year Finding: No

Auditor's Recommendation: We recommend that management hire and train additional staff such that internal control processes identify errors.

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

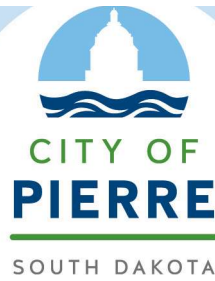
FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Transportation: Airport Improvement Program ALN 20.106

Material Weakness

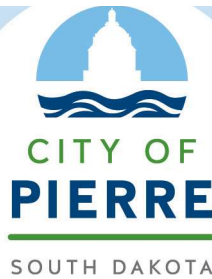
Internal Control over Compliance, Noncompliance

2023-003 See finding 2023-002 for a description of the condition, criteria, cause, effect, repeat of prior year finding, auditor's recommendation, and view of management.



SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

There were no prior audit findings.



CORRECTIVE ACTION PLAN (UNAUDITED)

City of Pierre, South Dakota respectfully submits the following Corrective Action Plan for the year ended December 31, 2023.

Name and address of independent public accounting firm:

Casey Peterson, LTD
909 St. Joseph St., Ste 101
Rapid City, SD 57701

The findings from the 2023 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Noncompliance

Late Filing of Audit with Federal Audit Clearinghouse

2023-001 *Condition:* The Uniform Guidance requires that audits be submitted to the federal audit clearinghouse within the earlier of 30 days of completion of the audit or 9 months of the year-end. The City's audit was not filed within 9 months of year-end.

Criteria: The Uniform Guidance at 2CFR Part 200 Subpart F section 200.507(c) requires that an audit must be completed and the reporting required under this section submitted with the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Auditor's Recommendation: We recommend that management work on improving internal control systems and processes in order to complete future audits within the required time frame.

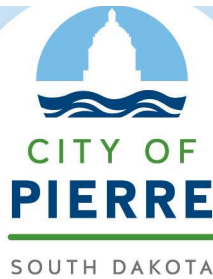
Management's Response: Management agrees with the auditor's recommendation and are implementing new training procedures for staff to assist with the audit process. The Finance Officer is responsible for this corrective action.

Material Weakness

Internal Control over Financial Reporting

2023-002 *Condition:* During the course of the audit, material audit adjustments to the City's recorded account balances and the Schedule of Expenditures of Federal Awards were proposed which, if not recorded, would have resulted in a material misstatement of the City's financial statements and Schedule of Expenditures of Federal Awards.

Criteria: A system of internal controls contemplates accurate recording, reconciliation, and presentation of amounts and disclosures in the financial statements in accordance with generally accepted accounting principles. The City should have an internal control system designed for the drafting of the Schedule of Expenditures of Federal Awards. The Uniform Guidance requires that the auditee prepare an appropriate Schedule of Expenditures of Federal Awards in accordance with Section 200.510.



CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

Auditor's Recommendation: We recommend that management hire and train additional staff such that internal control processes identify errors.

Management's Response: Management agrees with the auditor's recommendation and are in the process of hiring staff to fill vacancies and implementing a cross-training plan to avoid missed processes during staff turnover. The Finance Officer is responsible for this corrective action.

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Transportation: Airport Improvement Program ALN 20.106

Material Weakness

Internal Control over Compliance, Noncompliance

2023-003 See finding 2023-002 for a description of the condition, criteria, auditor's recommendation, and management's response.

If there are questions regarding this plan, please contact Lacey Walz at 605-773-7407.

Lacey Walz, Finance Officer
City of Pierre, South Dakota

City of Pierre, South Dakota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Assistance Listing	Cluster/Program Name	Pass-through Entity	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Department of Transportation</u>					
20 . 106	Airport Improvement Program (Note 4)	N/A	3-46-0044-43,47,48,49	\$ -	\$ 6,402,935
COVID-19 20 . 106	Airport Improvement Program CRRSSA (Note 4)	N/A	3-46-044-46	-	265,139
	Total Airport Improvement Program			-	6,668,074
<u>Highway Safety Cluster:</u>					
20 . 600	State and Community Highway Safety	SD Dept. of Public Safety	N/A	-	8,410
	Total Highway Safety Cluster			-	8,410
	Total Department of Transportation			-	6,676,484
<u>Department of Housing and Urban Development</u>					
COVID-19 14 . 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	SD Governor's Office of Economic Development	N/A	663,841	663,841
<u>U.S. General Services Administration</u>					
39 . 003	Donation of Federal Surplus Personal Property (Note 5)	SD Federal Property Agency	N/A	-	5,509
<u>Department of the Interior</u>					
15 . 904	Historic Preservation Fund Grants-in-aid	SD Department of Education	2021G-818	-	15,636
<u>Department of Justice</u>					
16 . 607	Bulletproof Vest Partnership Program	SD Department of Public Safety	N/A	-	9,614
	Total Expenditures of Federal Awards			\$ 663,841	\$ 7,371,084

See independent auditor's report.

City of Pierre, South Dakota
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Pierre, SD (City) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

NOTE 3: Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4: Tested as major program.

NOTE 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Pierre.

NOTE 6: Subrecipients are as follows:

14 . 228	Community Development Block Grant	Missouri Shores Domestic Violence Center	\$663,841
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See independent auditor's report.