

CITY OF REDFIELD
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

CITY OF REDFIELD
CITY OFFICIALS
DECEMBER 31, 2018

Mayor:

Jayne Akin

Governing Board:

Dave Moeller
Michael Siebrecht
Randy Maddox
Darrell Ronnfeldt
Joseph Morrissette
Jessi Lewis
Eileen Kearney
Frank Schwartz

Finance Officer:

Adam Hansen

Attorney:

Gillette, Battey & Gillette

CITY OF REDFIELD

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CITY OF REDFIELD

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

ROY R FAUTH, CPA
WILLIAM J BACHMEIER, CPA

117 E 3RD STREET • PO Box 127
MILLER, SD 57362
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

City Council
City of Redfield
Redfield, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redfield, South Dakota (City), as of December 31, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 3, 2019. The financial statements do not include financial data for the City's legally separate component unit. Our report includes a reference to other auditors who audited the financial statements of the Hospital Fund, as described in our report on City of Redfield, South Dakota's 2018 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be material weaknesses as items #2018-001 and #2018-002.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Corrective Action Plans. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the 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.

Kohlman, Bierschbach & Anderson, LLP

July 3, 2019

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PARTNERS

ROY R FAUTH, CPA
WILLIAM J BACHMEIER, CPA

117 E 3RD STREET • PO BOX 127
MILLER, SD 57362
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

City Council
City of Redfield
Redfield, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Redfield's, South Dakota (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

July 3, 2019



City of Redfield

626 Main Street
Redfield, South Dakota 57469-1127
Telephone: 605-472-4550
Fax: 605-472-4553
Web Site: www.redfield-sd.com
E-Mail: cityhall@redfield-sd.com

*Mayor
Jayme Akin*

*City Council President
Darrell Ronnfeldt*

*City Attorney
Gillette Law Office*

*City Council Members
Ward 1*

*Darrell Ronnfeldt
Randy Maddox*

*Ward 2
Eileen Kearney
Mike Siebrecht*

*Ward 3
Frank Schwartz
David Moeller*

*Ward 4
Joe Morrissette
Jessi Lewis*

*City Finance Officer
Adam L. Hansen*

*Parks & Recreation
Heidi Appel*

SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018

PRIOR AUDIT FINDINGS:

#2017-01

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, capital assets, and equity. This comment has not been corrected and is restated as current other audit finding #2018-001. The reason for the recurrence is a lack of financial resources available to have the additional staff needed to adequately segregate duties.

#2017-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment has not been corrected and is restated as current other audit finding #2018-002. The reason for the recurrence is the lack of financial resources available to provide an internal control structure to record all necessary adjustments.

#2017-03

In the General Fund there were budget overdrafts of \$50,751 in the highways and streets account and \$166,586 in transfers out account. In the Liquor, Lodging and Dining Gross Receipts Tax Fund, there was a budget overdraft of \$19,077 in the historical preservation account. This comment has been resolved.

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CITY OF REDFIELD
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018

Summary of the Independent Auditors' Results:

Financial Statements:

- a. An adverse opinion on the financial statements of the discretely presented component unit opinion unit was issued because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings #2018-001 and #2018-002.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:
 1. Airport Improvement Program CFDA #20.106.
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. City of Redfield did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2018-001

Criteria

Internal control can help a City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, capital assets, and equity.

CITY OF REDFIELD
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018
(Continued)

Cause

The City only has 3 employees in the finance department, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Redfield has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, capital assets, and equity. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on page 9.

Finding #2018-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles (GAAP).

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause

The City does not have a system of internal control in place to identify all adjustments necessary to ensure the financial statements are in conformity with generally accepted accounting principles.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

CITY OF REDFIELD
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018
(Continued)

See the unaudited corrective action plan on page 9.

COMPLIANCE AND OTHER MATTERS:

There are no written compliance and other matters findings to report.

Closing Conference

The contents of this report were discussed with Darrell Ronnfeldt, Frank Schwartz, Jayme Akin, Adam Hansen, and Shelly Wipf on May 9, 2019.



City of Redfield

626 Main Street
Redfield, South Dakota 57469-1127
Telephone: 605-472-4550
Fax: 605-472-4553
Web Site: www.redfield-sd.com
E-Mail: cityhall@redfield-sd.com

CORRECTIVE ACTION PLANS DECEMBER 31, 2018

*Mayor
Jayme Akin*

*City Council President
Darrell Ronnfeldt*

*City Attorney
Gillette Law Office*

*City Council Members
Ward 1*

*Darrell Ronnfeldt
Randy Maddox*

*Ward 2
Eileen Kearney*

*Mike Siebrecht
Ward 3*

*Frank Schwartz
David Moeller*

*Ward 4
Joe Morrissette
Jessi Lewis*

*City Finance Officer
Adam L. Hansen*

*Parks & Recreation
Heidi Appel*

City of Redfield submits the following corrective action plans for the year ended December 31, 2018.

Corrective Action Plan #2018-001

Condition: A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, capital assets, and equity.

Responsible official: Jayme Akin, Mayor

Planned corrective actions: This comment is a result of the size of the City of Redfield which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Redfield has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, capital assets, and equity. The City of Redfield is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include dual signature of checks and board members reviewing vouchers and bank statements. However, this lack of segregation of duties regarding cash, revenues, receivables, capital assets, and equity continues to exist.

Anticipated completion date: Ongoing

Corrective Action Plan #2018-002

Condition: The City does not have an internal control system in place to identify all adjustments necessary to ensure the financial statements are in conformity with generally accepted accounting principles.

Responsible official: Jayme Akin, Mayor

Planned corrective actions: This comment is a result of the size of the City of Redfield which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The city of Redfield is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of controls continues to exist.

Anticipated completion date: Ongoing

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WILLIAM J BACHMEIER, CPA

117 E 3RD STREET • PO Box 127
MILLER, SD 57362
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Redfield
Redfield, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hospital Fund, which represent 75 percent, 66 percent, and 93 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component unit, the Housing and Redevelopment Commission of the City of Redfield. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been presented as \$1,001,543, \$919,767, \$81,776, \$314,973, and \$317,624, respectively.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Redfield, South Dakota, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redfield, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and Schedule of the City Pension Contributions on pages 53 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 nonmajor fund financial statements 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 July 3, 2019, on our consideration of the City's internal control over financial reporting and 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Bierochbach & Anderson, LLP

July 3, 2019

CITY OF REDFIELD
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 124,742	\$ 3,198,133	\$ 3,322,875
Investments	733,326	828,832	1,562,158
Accounts receivable, net	348,829	2,137,508	2,486,337
Inventories	9,478	225,688	235,166
Other assets	45,173	354,958	400,131
Restricted Assets:			
Cash and cash equivalents	49,248	766,078	815,326
Net pension asset	402	6,545	6,947
Capital Assets:			
Land, improvements and construction in progress	5,197,320	151,718	5,349,038
Other capital assets, net of depreciation	<u>12,124,491</u>	<u>9,344,458</u>	<u>21,468,949</u>
TOTAL ASSETS	<u>18,633,009</u>	<u>17,013,918</u>	<u>35,646,927</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>127,670</u>	<u>2,088,222</u>	<u>2,215,892</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>127,670</u>	<u>2,088,222</u>	<u>2,215,892</u>
LIABILITIES:			
Accounts payable	69,776	319,926	389,702
Other current liabilities	6,043	452,403	458,446
Unearned revenue	--	13,211	13,211
Noncurrent Liabilities:			
Due within one year	257,687	381,423	639,110
Due in more than one year	<u>524,446</u>	<u>8,055,494</u>	<u>8,579,940</u>
TOTAL LIABILITIES	<u>857,952</u>	<u>9,222,457</u>	<u>10,080,409</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>32,764</u>	<u>517,669</u>	<u>550,433</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>32,764</u>	<u>517,669</u>	<u>550,433</u>
NET POSITION:			
Net investment in capital assets	16,584,638	1,586,359	18,170,997
Restricted for:			
Debt service purposes	54,173	626,683	680,856
SDRS pension purposes	95,308	1,577,098	1,672,406
Permanently restricted purposes:			
Expendable	76,510	--	76,510
Non-expendable	119,066	--	119,066
Special Park Gift purposes	2,000	--	2,000
Special Rec Gift purposes	11,722	--	11,722
Unrestricted	<u>926,546</u>	<u>5,571,874</u>	<u>6,498,420</u>
TOTAL NET POSITION	<u>\$17,869,963</u>	<u>\$ 9,362,014</u>	<u>\$27,231,977</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 286,561	\$ 57,384	\$ --	\$ --	\$ (229,177)		\$ (229,177)
Public safety	498,877	8,622	--	--	(490,255)		(490,255)
Public works	1,181,441	12,300	107,005	3,445,586	2,383,450		2,383,450
Health and welfare	74,999	570	5,583	--	(68,846)		(68,846)
Culture and recreation	831,046	39,961	--	49,000	(742,085)		(742,085)
Conservation and development	161,714	--	--	364,500	202,786		202,786
*Interest on long-term debt	23,998	--	--	--	(23,998)		(23,998)
Total Governmental Activities	3,058,636	118,837	112,588	3,859,086	1,031,875		1,031,875
Business-Type Activities:							
Water	566,611	520,810	--	8,000		\$ (37,801)	(37,801)
Sewer	294,124	232,507	--	10,000		(51,617)	(51,617)
Landfill	222,114	246,424	--	--		24,310	24,310
Hospital	13,036,954	12,340,076	127,103	165,265		(404,510)	(404,510)
Total Business-Type Activities	14,119,803	13,339,817	127,103	183,265		(469,618)	(469,618)
Total Primary Government	\$17,178,439	\$13,458,654	\$239,691	\$4,042,351	1,031,875	(469,618)	562,257
* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
Property taxes					1,167,184	--	1,167,184
Sales taxes					993,724	--	993,724
State shared revenues					23,107	--	23,107
Grants and contributions not restricted to specific programs					71,592	--	71,592
Unrestricted investment earnings					9,024	42,838	51,862
Miscellaneous revenue					43,235	772,551	815,786
Transfers					6,991	(6,991)	--
Total General Revenues and Transfers					2,314,857	808,398	3,123,255
Change in Net Position					3,346,732	338,780	3,685,512
Net Position - Beginning					14,414,435	9,023,234	23,437,669
Adjustments:							
Due from federal government understated in prior year (See Note 21)					108,796	--	108,796
Adjusted Net Position - Beginning					14,523,231	9,023,234	23,546,465
Net Position - Ending					\$17,869,963	\$9,362,014	\$27,231,977

The notes to the financial statements are an integral part of this statement.

**CITY OF REDFIELD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 15,752	\$ 108,990	\$ 124,742
Investments	355,831	377,495	733,326
Taxes receivable - delinquent	48,210	--	48,210
Accounts receivable, net	14,106	--	14,106
Special assessments receivable - current	8,949	--	8,949
Special assessments receivable - noncurrent	61,644	--	61,644
Due from Liquor, Lodging and Dining Gross Receipts Tax Fund	107,186	--	107,186
Due from federal government	83,747	--	83,747
Due from state government	118,946	11,162	130,108
Interest receivable	2,065	--	2,065
Inventory of supplies	9,478	--	9,478
Prepaid expenses	45,173	--	45,173
Restricted cash and cash equivalents	<u>--</u>	<u>49,248</u>	<u>49,248</u>
TOTAL ASSETS	<u>\$871,087</u>	<u>\$ 546,895</u>	<u>\$1,417,982</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 67,168	\$ 2,608	\$ 69,776
Due to General Fund	--	107,186	107,186
Accrued wages payable	<u>6,043</u>	<u>--</u>	<u>6,043</u>
TOTAL LIABILITIES	<u>73,211</u>	<u>109,794</u>	<u>183,005</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	44,311	--	44,311
Unavailable revenue - special assessments	70,593	--	70,593
Other deferred inflows of resources	<u>25,623</u>	<u>1,146</u>	<u>26,769</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>140,527</u>	<u>1,146</u>	<u>141,673</u>
FUND BALANCES:			
Nonspendable	54,651	119,066	173,717
Restricted	--	144,405	144,405
Committed	--	276,366	276,366
Assigned	223,372	--	223,372
Unassigned	<u>379,326</u>	<u>(103,882)</u>	<u>275,444</u>
TOTAL FUND BALANCES	<u>657,349</u>	<u>435,955</u>	<u>1,093,304</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$871,087</u>	<u>\$ 546,895</u>	<u>\$1,417,982</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds	\$ 1,093,304
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.	402
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,321,811
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	127,670
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	(782,133)
Assets, such as taxes receivable (delinquent) and special assessments receivable (current, delinquent and noncurrent), are not available to pay for current period expenditures and therefore are deferred in the funds.	141,673
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.	<u>(32,764)</u>
Net Position - Governmental Activities	<u>\$17,869,963</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
General property taxes	\$1,143,986	\$ --	\$1,143,986
General sales and use taxes	865,817	119,441	985,258
Penalties and interest on delinquent taxes	2,963	--	2,963
Licenses and Permits	22,391	--	22,391
Intergovernmental Revenue:			
Federal grants	2,928,542	--	2,928,542
State grants	168,905	--	168,905
State shared revenue:			
Bank franchise tax	8,845	--	8,845
Prorate license fees	7,127	--	7,127
Liquor tax reversion (25%)	14,262	--	14,262
Motor vehicle licenses	32,785	--	32,785
Local government highway and bridge fund	57,938	--	57,938
Other	288	--	288
County shared revenue:			
County road tax (25%)	5,182	--	5,182
County road and bridge tax (25%)	2,773	--	2,773
County wheel tax	1,200	--	1,200
Other intergovernmental revenues	6,000	--	6,000
Charges for Goods and Services:			
General government	18,104	--	18,104
Public safety	2,592	--	2,592
Health	570	--	570
Culture and recreation	38,202	--	38,202
Cemetery	8,500	3,800	12,300
Other	2,970	3,343	6,313
Fines and Forfeits:			
Court fines and costs	6,030	--	6,030
Library	1,759	--	1,759
Miscellaneous Revenue:			
Investment earnings	7,526	1,498	9,024
Rentals	10,288	--	10,288
Special assessments	196,331	--	196,331
Contributions and donations from private sources	9,238	62,354	71,592
Other	<u>19,579</u>	<u>--</u>	<u>19,579</u>
TOTAL REVENUE	<u>5,590,693</u>	<u>190,436</u>	<u>5,781,129</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
EXPENDITURES:			
General Government:			
Legislative	104,561	--	104,561
Executive	10,989	--	10,989
Elections	588	--	588
Financial administration	141,387	--	141,387
Other	13,711	--	13,711
Public Safety:			
Police	325,000	--	325,000
Fire	87,241	--	87,241
Public Works:			
Highways and streets	536,896	--	536,896
Airport	41,069	--	41,069
Cemeteries	38,770	--	38,770
Health and Welfare:			
Health	74,082	--	74,082
Culture and Recreation:			
Recreation	394,620	--	394,620
Parks	70,671	--	70,671
Libraries	138,616	--	138,616
Historical preservation	--	94,362	94,362
Conservation and Development:			
Economic development and assistance	74,656	86,683	161,339
Debt Service	191,822	49,248	241,070
Capital Outlay	<u>3,600,246</u>	<u>4,600</u>	<u>3,604,846</u>
TOTAL EXPENDITURES	<u>5,844,925</u>	<u>234,893</u>	<u>6,079,818</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(254,232)</u>	<u>(44,457)</u>	<u>(298,689)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	7,080	--	7,080
Sale of municipal property	45,244	--	45,244
Compensation for loss or damage to capital assets	62,450	--	62,450
Long-term debt issued	124,137	--	124,137
Transfers out	<u>--</u>	<u>(89)</u>	<u>(89)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>238,911</u>	<u>(89)</u>	<u>238,822</u>
NET CHANGE IN FUND BALANCES	<u>(15,321)</u>	<u>(44,546)</u>	<u>(59,867)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CHANGE IN NONSPENDABLE	<u>954</u>	<u>--</u>	<u>954</u>
FUND BALANCE - BEGINNING	562,920	480,501	1,043,421
ADJUSTMENTS:			
Due from the federal government understated in prior year (See Note 21)	<u>108,796</u>	<u>--</u>	<u>108,796</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>671,716</u>	<u>480,501</u>	<u>1,152,217</u>
FUND BALANCE - ENDING	<u>\$ 657,349</u>	<u>\$435,955</u>	<u>\$1,093,304</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (59,867)

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

This amount represents capital asset purchases which are reported as expenditures on the
fund financial statements but increase assets on the government-wide statements. 3,604,846

This amount represents the current year depreciation expense reported in the statement
of activities which is not reported on the fund financial statements because it does not
require the use of current financial resources. (828,473)

In the statement of activities, gains \$17,656 on disposal of capital assets are reported,
whereas, in the governmental funds, the proceeds \$45,244 from the disposal of capital
assets are reflected, regardless of whether a gain or loss is realized. (27,588)

The receipt of donated capital assets is not reported on the fund statements, but is reported
as a program revenue on the government-wide statements. 507,265

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

Revenue bond	\$ 38,080	
Other Long-Term	<u>178,992</u>	217,072

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

Other long-term	<u>\$124,137</u>	(124,137)
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The fund financial statement governmental fund property tax accruals differ from the
government-wide statement property tax accruals in that the fund financial statements
require the amounts to be "available". 20,235

The fund financial statement governmental fund sales and use tax accruals differ from the
government-wide statement sales and use tax accruals in that the fund financial
statements require the amounts to be "available". 8,466

Governmental funds report special assessments as revenue when "available", but the
statement of activities includes the full amount of special assessments as revenue upon
completion of the project at the point when an enforceable legal claim arises. 63,626

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.

Vacation leave	<u>\$5,131</u>	(5,131)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(32,915)
---	--	----------

Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the "change in" inventory of supplies.		954
---	--	-----

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>2,379</u>
--	--	--------------

Change in Net Position of Governmental Activities		<u>\$3,346,732</u>
---	--	--------------------

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds				Totals
	Water Fund	Sewer Fund	Landfill Fund	Hospital Fund	
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 96,180	\$ 104,361	\$ 31,526	\$ 2,966,066	\$ 3,198,133
Investments	305,052	474,653	49,127	--	828,832
Accounts receivable, net	30,929	2,706	1,778	2,102,095	2,137,508
Contributions receivable	--	--	--	53,865	53,865
Inventory of supplies	77,891	6,954	--	140,843	225,688
Prepaid expenses	--	--	--	109,594	109,594
Total Current Assets	<u>510,052</u>	<u>588,674</u>	<u>82,431</u>	<u>5,372,463</u>	<u>6,553,620</u>
Noncurrent Assets:					
Restricted cash and cash equivalents	226,419	8,755	--	530,904	766,078
Note receivable	--	--	--	140,000	140,000
Contributions receivable	--	--	--	51,499	51,499
Net pension asset	73	97	38	6,337	6,545
Capital Assets:					
Land	645	76,789	43,886	30,398	151,718
Buildings	44,722	--	6,965	6,836,261	6,887,948
Improvements other than buildings	2,026,565	2,707,238	--	123,254	4,857,057
Machinery and equipment	188,583	195,399	36,034	7,998,821	8,418,837
Less: accumulated depreciation	<u>(1,147,230)</u>	<u>(1,267,840)</u>	<u>(30,326)</u>	<u>(8,373,988)</u>	<u>(10,819,384)</u>
Total Noncurrent Assets	<u>1,339,777</u>	<u>1,720,438</u>	<u>56,597</u>	<u>7,343,486</u>	<u>10,460,298</u>
TOTAL ASSETS	<u>1,849,829</u>	<u>2,309,112</u>	<u>139,028</u>	<u>12,715,949</u>	<u>17,013,918</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Pension related deferred outflows	<u>30,676</u>	<u>34,503</u>	<u>12,714</u>	<u>2,010,329</u>	<u>2,088,222</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>30,676</u>	<u>34,503</u>	<u>12,714</u>	<u>2,010,329</u>	<u>2,088,222</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	27,696	1,131	4,901	286,198	319,926
Accrued interest payable	--	--	--	25,867	25,867
Accrued wages payable	1,126	1,276	140	245,043	247,585
Other accrued expenses	--	--	--	39,556	39,556
Customer deposits	139,395	--	--	--	139,395
Unearned revenue	--	--	--	13,211	13,211
Bonds Payable Current:					
Revenue	<u>9,148</u>	<u>17,896</u>	<u>--</u>	<u>--</u>	<u>27,044</u>
Total Current Liabilities	<u>177,365</u>	<u>20,303</u>	<u>5,041</u>	<u>609,875</u>	<u>812,584</u>
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	176,711	731,207	--	--	907,918
Accrued leave payable	9,279	17,577	4,853	353,409	385,118
Other long-term liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,116,837</u>	<u>7,116,837</u>

	Business-Type Activities Enterprise Funds				Totals
	Water Fund	Sewer Fund	Landfill Fund	Hospital Fund	
Total Noncurrent Liabilities	<u>185,990</u>	<u>748,784</u>	<u>4,853</u>	<u>7,470,246</u>	<u>8,409,873</u>
TOTAL LIABILITIES	<u>363,355</u>	<u>769,087</u>	<u>9,894</u>	<u>8,080,121</u>	<u>9,222,457</u>
DEFERRED INFLOWS OF RESOURCES:					
Pension related deferred inflows	<u>6,576</u>	<u>7,603</u>	<u>2,901</u>	<u>500,589</u>	<u>517,669</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,576</u>	<u>7,603</u>	<u>2,901</u>	<u>500,589</u>	<u>517,669</u>
NET POSITION:					
Net investment in capital assets (deficit)	927,427	962,482	56,559	(360,109)	1,586,359
Restricted for:					
Revenue bond debt service	87,024	8,755	--	530,904	626,683
SDRS pension purposes	24,173	26,996	9,852	1,516,077	1,577,098
Unrestricted	<u>471,950</u>	<u>568,692</u>	<u>72,536</u>	<u>4,458,696</u>	<u>5,571,874</u>
TOTAL NET POSITION	<u>\$ 1,510,574</u>	<u>\$ 1,566,925</u>	<u>\$ 138,947</u>	<u>\$ 6,145,568</u>	<u>\$ 9,362,014</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds				Totals
	Water Fund	Sewer Fund	Landfill Fund	Hospital Fund	
OPERATING REVENUE:					
Charges for goods and services	\$ 520,810	\$ 232,507	\$246,424	\$12,340,076	\$13,339,817
Miscellaneous	--	--	--	772,380	772,380
TOTAL OPERATING REVENUE	<u>520,810</u>	<u>232,507</u>	<u>246,424</u>	<u>13,112,456</u>	<u>14,112,197</u>
OPERATING EXPENSES:					
Personal services	113,031	126,762	60,425	8,041,042	8,341,260
Other current expense	80,429	72,754	159,243	4,005,329	4,317,755
Materials (cost of goods sold)	310,319	--	--	--	310,319
Depreciation	56,378	69,909	2,446	666,778	795,511
TOTAL OPERATING EXPENSES	<u>560,157</u>	<u>269,425</u>	<u>222,114</u>	<u>12,713,149</u>	<u>13,764,845</u>
OPERATING INCOME (LOSS)	<u>(39,347)</u>	<u>(36,918)</u>	<u>24,310</u>	<u>399,307</u>	<u>347,352</u>
NONOPERATING REVENUE (EXPENSE):					
Operating grants	--	--	--	127,103	127,103
Capital grants	8,000	10,000	--	165,265	183,265
Investment earnings	3,314	3,211	466	35,847	42,838
Interest expense	(6,454)	(24,699)	--	(323,805)	(354,958)
Gain on disposition of assets	--	171	--	--	171
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>4,860</u>	<u>(11,317)</u>	<u>466</u>	<u>4,410</u>	<u>(1,581)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(34,487)</u>	<u>(48,235)</u>	<u>24,776</u>	<u>403,717</u>	<u>345,771</u>
TRANSFERS OUT	<u>(3,314)</u>	<u>(3,211)</u>	<u>(466)</u>	<u>--</u>	<u>(6,991)</u>
CHANGE IN NET POSITION	<u>(37,801)</u>	<u>(51,446)</u>	<u>24,310</u>	<u>403,717</u>	<u>338,780</u>
NET POSITION - BEGINNING	<u>1,548,375</u>	<u>1,618,371</u>	<u>114,637</u>	<u>5,741,851</u>	<u>9,023,234</u>
NET POSITION - ENDING	<u>\$1,510,574</u>	<u>\$1,566,925</u>	<u>\$138,947</u>	<u>\$ 6,145,568</u>	<u>\$ 9,362,014</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds				Totals
	Water Fund	Sewer Fund	Landfill Fund	Hospital Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash receipts from customers	\$ 493,558	\$ 229,184	\$ 245,866	\$12,134,816	\$13,103,424
Cash receipts from interfund services provided	21,419	2,897	252	--	24,568
Other operating cash receipts	--	--	--	734,368	734,368
Cash payments to employees for services	(110,198)	(120,154)	(58,792)	(7,477,809)	(7,766,953)
Cash payments to suppliers of goods and services	<u>(393,006)</u>	<u>(73,250)</u>	<u>(155,800)</u>	<u>(4,014,500)</u>	<u>(4,636,556)</u>
Net cash provided by operating activities	<u>11,773</u>	<u>38,677</u>	<u>31,526</u>	<u>1,376,875</u>	<u>1,458,851</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Noncapital grants and contributions	--	--	--	56,517	56,517
Transfers out	<u>(3,314)</u>	<u>(3,211)</u>	<u>(466)</u>	<u>--</u>	<u>(6,991)</u>
Net cash provided (used) by noncapital financing activities	<u>(3,314)</u>	<u>(3,211)</u>	<u>(466)</u>	<u>56,517</u>	<u>49,526</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions and grants	8,000	10,000	--	59,901	77,901
Purchase of capital assets	(34,148)	(19,806)	--	(621,870)	(675,824)
Proceeds from sale of capital assets	--	171	--	1,501	1,672
Principal paid on capital debt	(15,247)	(17,327)	--	(302,240)	(334,814)
Interest paid on capital debt	<u>(6,454)</u>	<u>(24,699)</u>	<u>--</u>	<u>(320,398)</u>	<u>(351,551)</u>
Net cash used by capital and related financing activities	<u>(47,849)</u>	<u>(51,661)</u>	<u>--</u>	<u>(1,183,106)</u>	<u>(1,282,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Cash received for interest	3,314	3,211	466	35,847	42,838
Proceeds from sales and maturities of investments	<u>--</u>	<u>--</u>	<u>--</u>	<u>101,872</u>	<u>101,872</u>
Net cash provided by investing activities	<u>3,314</u>	<u>3,211</u>	<u>466</u>	<u>137,719</u>	<u>144,710</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,076)	(12,984)	31,526	388,005	370,471
BALANCES - BEGINNING	<u>663,727</u>	<u>600,753</u>	<u>49,127</u>	<u>3,108,965</u>	<u>4,422,572</u>
BALANCES - ENDING	<u>\$ 627,651</u>	<u>\$ 587,769</u>	<u>\$ 80,653</u>	<u>\$ 3,496,970</u>	<u>\$ 4,793,043</u>

	Business-Type Activities Enterprise Funds				Totals
	Water Fund	Sewer Fund	Landfill Fund	Hospital Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (39,347)	\$ (36,918)	\$ 24,310	\$ 399,307	\$ 347,352
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	56,378	69,909	2,446	666,778	795,511
Provision for bad debts	--	--	--	745,107	745,107
Loss on disposal of capital assets	--	--	--	8,458	8,458
Change in assets and liabilities:					
Accounts receivable	(8,490)	(426)	(306)	(988,379)	(997,601)
Inventories	(4,279)	(783)	--	(8,807)	(13,869)
Prepaid expense	--	--	--	1,583	1,583
Pension related deferred outflows	6,460	7,231	2,737	442,444	458,872
Net pension asset	256	283	107	17,603	18,249
Accounts and other payables	2,021	287	3,443	(10,405)	(4,654)
Accrued wages payable	(2,108)	(2,150)	(1,279)	--	(5,537)
Accrued leave payable	(1,325)	1,741	255	--	671
Accrued expenses	--	--	--	62,872	62,872
Pension related deferred inflows	(450)	(497)	(187)	40,314	39,180
Customer deposits	<u>2,657</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,657</u>
Net cash provided by operating activities	<u>\$ 11,773</u>	<u>\$ 38,677</u>	<u>\$ 31,526</u>	<u>\$ 1,376,875</u>	<u>\$ 1,458,851</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Amortization of bond discounts	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,740</u>	<u>\$ 3,740</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$4,396
TOTAL ASSETS	<u>\$4,396</u>
LIABILITIES:	
Amounts held for others	\$4,396
TOTAL LIABILITIES	<u>\$4,396</u>

The notes to the financial statements are an integral part of this statement.

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Financial Reporting Entity:**

The reporting entity of the City of Redfield (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 there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Redfield, South Dakota (Commission), is a proprietary fund-type, discretely-presented component unit. The financial statements of this component unit have been omitted from the City of Redfield's financial statements. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own Chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 610 Main Street, Redfield, SD 57469.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

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

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

The funds of the City financial reporting entity are described below:

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for 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.

Liquor, Lodging and Dining Gross Receipts Tax Fund - To account for the collection of a 1 percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the City (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

Industrial Development Revolving Loan Fund - To account for a loan to an economic development corporation. This is not a major fund.

Special Park Gift Fund - To account for contributions and expenses designated for parks. This is not a major fund.

Special Rec Gift Fund - To account for contributions and expenses designated for recreation. This is not a major fund.

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

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.

Debt Service Fund - To account for sales taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

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

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

Library Endowment Fund - To account for gifts and donations given in the form of an endowment. The interest earned from the endowments may be spent by the Governing Board for library expenditures. This is not a major fund.

All of these nonmajor funds are reported on the fund financial statements as "Other Governmental Funds".

Proprietary Funds:

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

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

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

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

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

Landfill Fund - To account for the collection and disposal of solid waste from the City. This is a major fund.

Hospital Fund - To account for the acquisition, construction, and operation of a City hospital and related facilities. This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and is never considered to be a major fund:

Agency Funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for various pass through funds. The City of Redfield uses an agency fund to account for Section 125 withholding from the employees' pay checks for medical spending and dependent care.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

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 for the City is 30 days. The revenues which are accrued at December 31, 2018, are sales tax and federal and state grants.

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

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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

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.

e. Deposits and Investments:

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

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

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

f. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Patient Receivables:

Patient receivables are uncollateralized patient and third-party payor obligations. The Hospital does not charge interest on delinquent accounts. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debts provision. Management also reviews accounts to determine if classification as charity care is appropriate.

h. Note Receivable:

Note receivable represents an uncollateralized note receivable, issued at market value, from an individual who is seeking a medical degree as part of the Hospital's physician recruitment process. The note has been issued with forgiveness provisions that match the work commitment to encourage retention. Management reviews the note receivable periodically and estimates a portion, if any, of the balance that will not be collected or earned under the work commitment arrangement. There was no allowance as of December 31, 2018. The note receivable is included in noncurrent assets in the statement of net position.

i. Contributions Receivable:

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received and all eligibility requirements have been met. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at the discounted present value of expected future payments at the date of promise. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

j. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

Government-Wide Financial Statements:

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

The total December 31, 2018 balance of governmental activities capital assets includes approximately 42 percent for which the costs were determined by estimates of the original costs. The total December 31, 2018 balance of business-type capital assets includes approximately 9 percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon and by appraisals.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004, are recorded at cost, and classified as "Improvements Other than Buildings".

For governmental activities capital assets, construction period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ --	N/A	N/A
Improvements other than buildings	\$2,500	Straight-line	10 to 25 yrs.
Buildings	\$2,500	Straight-line	20 to 50 yrs.

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Machinery and equipment	\$2,500	Straight-line	3 to 18 yrs.
Infrastructure	\$2,500	Straight-line	15 to 75 yrs.
Utility property and improvements	\$2,500	Straight-line	15 to 100 yrs.
Hospital property and improvements	\$5,000	Straight-line	5 to 40 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as 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.

k. 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 primarily consist of revenue bonds, notes payable, financing (capital acquisition) leases, and compensated absences.

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

l. Program Revenues:

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

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

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Proprietary Funds Revenue and Expense Classifications:

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

o. Net Patient Service Revenue:

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

p. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. Except for the Hospital Fund, the proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, except for the Hospital Fund, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

q. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds,

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency funds have no fund equity. The net position is reported as net position held in agency capacity.

r. 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.

s. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Council.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

Amount reported in non-spendable form such as inventory and prepaid expenses.

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

Amount legally or contractually required to be maintained intact such as Cemetery Perpetual Care Fund and Library Endowment Fund.

The City Council committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
Industrial Development Revolving Loan Fund	\$276,366	Ordinance

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

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

A schedule of fund balances is provided as follows:

CITY OF REDFIELD
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Inventory	\$ 9,478	\$ --	\$ 9,478
Prepaid expenses	45,173	--	45,173
Nonexpendable Cemetery Perpetual Care	--	50,000	50,000
Nonexpendable Library Endowment	--	69,066	69,066
Restricted for:			
Debt Service requirements	--	54,173	54,173
Expendable Cemetery Perpetual Care	--	37,107	37,107
Expendable Library Endowment	--	39,403	39,403
Special Park Gift	--	2,000	2,000
Special Rec Gift	--	11,722	11,722
Committed for:			
Industrial Development Revolving Loan	--	276,366	276,366
Assigned to:			
Applied to next year's budget	207,820	--	207,820
Capital outlay accumulations	15,552	--	15,552
Unassigned	<u>379,326</u>	<u>(103,882)</u>	<u>275,444</u>
Total Fund Balances	<u>\$657,349</u>	<u>\$ 435,955</u>	<u>\$1,093,304</u>

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - (Continued)

t. Grants and Contributions:

The Hospital may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after revenues in excess of expenses.

u. Charity Care:

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$500 for the year ended December 31, 2018, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

v. Pensions:

For purposes of measuring the net pension 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. City contributions and net pension asset are recognized on an accrual basis of accounting.

NOTE 2 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare - The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost-based reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended December 31, 2016. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a reimbursement methodology based on historical costs. There are no retroactive settlements resulting from the Medicaid program.

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - (Continued)

Blue Cross - Services rendered to Blue Cross subscribers are reimbursed under a prospectively determined methodology.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, and discounts from established charges.

Concentration of net revenues by major payor accounted for the following percentages of the Hospital's net patient service revenue for the year ended December 31, 2018:

Medicare	52%
Medicaid	6%
Blue Cross	15%
Other third-party payors and patients	<u>27%</u>
	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the year ended December 31, 2018, increased approximately \$38,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

NOTE 3 - DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2018, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

Liquor, Lodging and Dining Gross Reciepts	
Tax Fund	\$103,882

The Governing Board plans to take the following actions to address the deficit fund balance/deficit net position: "The Council plans to transfer money from the General Fund to make that account \$0."

NOTE 4 - DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - (Continued)

letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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.

As of December 31, 2018, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	<u>\$11,004</u>	<u>\$11,004</u>

The City has the following recurring fair value measurement as of December 31, 2018:

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in Certificates of Deposit - 99.3% of total investments.

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.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the General Fund, including investment income generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the City cemetery, as

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - (Continued)

required by SDCL 9-32-18, except for the Library Endowment Fund and the Hospital Fund, which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income, except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

NOTE 5 - RESTRICTED CASH AND INVESTMENTS

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 87,024	For debt service in the Water Fund
\$ 8,755	For debt service in the Sewer Fund
\$530,904	For debt service in the Hospital Fund
\$ 49,248	For debt service in the Debt Service Fund
\$139,395	For customer deposits in the Water Fund

NOTE 6 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$4,687 of receivables related to obligations paid on behalf of utility customers in the Water Fund, for which appropriate allowances for estimated uncollectible have been established.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give that the Hospital has received. Certain promises are receivable over a period of time. The following is a summary of contributions receivable.

Amounts due within one year	\$ 55,088
Amounts due in one to two years	<u>55,088</u>
	110,176
Less discounts	<u>(4,812)</u>
Contributions receivable, net	<u>\$105,364</u>

NOTE 8 - INVENTORY

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

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 - (Continued)

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

NOTE 9 - PROPERTY TAXES

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

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

NOTE 10 - CHANGES IN GENERAL CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 844,482	\$ 413,500	\$ --	\$ 1,257,982
Construction work in progress	<u>682,849</u>	<u>3,256,489</u>	<u>--</u>	<u>3,939,338</u>
Total, not being depreciated	<u>1,527,331</u>	<u>3,669,989</u>	<u>--</u>	<u>5,197,320</u>
Capital assets, being depreciated:				
Buildings	3,565,189	94,500	--	3,659,689
Improvements other than buildings	21,979,572	6,507	591,246	21,394,833
Machinery and equipment	<u>3,017,530</u>	<u>341,115</u>	<u>68,542</u>	<u>3,290,103</u>

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 - (Continued)

	<u>Balance</u> <u>01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Total, being depreciated	<u>28,562,291</u>	<u>442,122</u>	<u>659,788</u>	<u>28,344,625</u>
Less accumulated depreciation for:				
Buildings	914,189	74,034	--	988,223
Improvements other than buildings	13,621,825	525,338	591,246	13,555,917
Machinery and equipment	<u>1,487,847</u>	<u>229,101</u>	<u>40,954</u>	<u>1,675,994</u>
Total accumulated depreciation	<u>16,023,861</u>	<u>828,473</u>	<u>632,200</u>	<u>16,220,134</u>
Total governmental activities capital assets, being depreciated, net	<u>12,538,430</u>	<u>(386,351)</u>	<u>27,588</u>	<u>12,124,491</u>
Governmental activity capital assets, net	<u>\$14,065,761</u>	<u>\$3,283,638</u>	<u>\$ 27,588</u>	<u>\$17,321,811</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 10,233
Public safety	86,636
Public works	608,786
Health and welfare	917
Culture and recreation	121,526
Conservation and development	<u>375</u>
Total depreciation expense - governmental activities	<u>\$828,473</u>

	<u>Balance</u> <u>01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ <u>151,718</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>151,718</u>
Total, not being depreciated	<u>151,718</u>	<u> --</u>	<u> --</u>	<u>151,718</u>
Capital assets, being depreciated:				
Buildings	6,723,311	164,637	--	6,887,948
Improvements other than buildings	4,848,614	12,643	4,200	4,857,057
Machinery and equipment	<u>8,172,004</u>	<u>498,544</u>	<u>251,711</u>	<u>8,418,837</u>
Total, being depreciated	<u>19,743,929</u>	<u>675,824</u>	<u>255,911</u>	<u>20,163,842</u>
Less accumulated depreciation for:				
Buildings	3,427,961	210,842	--	3,638,803

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 - (Continued)

	<u>Balance</u> <u>01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Improvements other than buildings	2,155,321	98,425	2,940	2,250,806
Machinery and equipment	<u>4,686,543</u>	<u>486,244</u>	<u>243,012</u>	<u>4,929,775</u>
Total accumulated depreciation	<u>10,269,825</u>	<u>795,511</u>	<u>245,952</u>	<u>10,819,384</u>
Total business-type activities capital assets, being depreciated, net	<u>9,474,104</u>	<u>(119,687)</u>	<u>9,959</u>	<u>9,344,458</u>
Business-type activity capital assets, net	<u>\$ 9,625,822</u>	<u>\$(119,687)</u>	<u>\$ 9,959</u>	<u>\$ 9,496,176</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water	\$ 56,378
Sewer	69,909
Landfill	2,446
Hospital	<u>666,778</u>

Total depreciation expense - business-type activities \$795,511

Construction work in progress at December 31, 2018, is composed of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>thru</u> <u>12/31/2018</u>	<u>Committed</u>	<u>Required</u> <u>Future</u> <u>Financing</u>
Airport	\$3,391,918	\$3,934,738	\$--	\$--
Baseball Canopy	<u> --</u>	<u> 4,600</u>	<u> --</u>	<u> \$--</u>
Total	<u>\$3,391,918</u>	<u>\$3,939,338</u>	<u>\$--</u>	<u>\$--</u>

NOTE 11 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Balance</u> <u>01/01/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds payable:					
Revenue	\$ 280,108	\$ --	\$ 38,080	\$ 242,028	\$ 39,730
Financing (capital acquisition) lease	550,000	--	178,992	371,008	183,299

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11 - (Continued)

	<u>Balance</u> <u>01/01/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due Within</u> <u>One Year</u>
Note payable	--	124,137	--	124,137	30,162
Accrued compensated absences - governmental funds	<u>39,829</u>	<u>5,131</u>	<u>--</u>	<u>44,960</u>	<u>4,496</u>
Total governmental activities	<u>869,937</u>	<u>129,268</u>	<u>217,072</u>	<u>782,133</u>	<u>257,687</u>
Business-type activities:					
Bonds payable:					
Revenue	967,536	--	32,574	934,962	27,044
Certificates of participation	7,235,000	--	200,000	7,035,000	210,000
Less unamortized discount	(63,885)	--	(3,740)	(60,145)	--
Notes payable	<u>244,222</u>	<u>--</u>	<u>102,240</u>	<u>141,982</u>	<u>105,867</u>
Total debt	8,382,873	--	331,074	8,051,799	342,911
Accrued compensated absences - business-type funds	<u>343,293</u>	<u>41,825</u>	<u>--</u>	<u>385,118</u>	<u>38,512</u>
Total business-type activities	<u>8,726,166</u>	<u>41,825</u>	<u>331,074</u>	<u>8,436,917</u>	<u>381,423</u>
Total Primary Government	<u>\$9,596,103</u>	<u>\$171,093</u>	<u>\$548,146</u>	<u>\$9,219,050</u>	<u>\$639,110</u>

Debt payable at December 31, 2018, is comprised of the following:

Revenue Bonds:

A loan with Rural Development was obtained for \$545,000 with monthly payments of \$4,104 being made out of the Debt Service Fund with interest at 4.25%, maturing May 24, 2024. \$ 242,028

The Water Fund is making quarterly payments of \$1,617 to First National Bank in Sioux Falls with interest at 4.5%, maturing October 1, 2020. \$ 9,927

The Water Fund obtained a revenue bond for \$228,823 with quarterly payments of \$2,723.25 being made beginning July 1, 2010, with interest at 2.5%, maturing October 1, 2039. \$ 175,932

The Sewer Fund obtained a revenue bond for \$803,423 with quarterly payments of \$10,506.39 being made beginning October 15, 2015, with interest at 3.25%, maturing July 15, 2045. \$ 749,103

Compensated Absences:

Accrued vacation and sick leave for General Fund and Enterprise Fund employees. Payment to be made by the fund that the payroll expenditures are charged to. \$ 430,078

Financing (Capital Acquisition) Leases:

The General Fund has a 3 year lease for \$550,000 beginning September 8, 2017, with annual payments of \$192,225.74 with interest at 2.41%. \$ 371,008

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11 - (Continued)

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$550,000
Interest	<u>26,677</u>
 Total	 <u>\$576,677</u>

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

Notes Payable:

The General Fund obtained a note payable for \$124,137, with annual payments of \$33,161 being made beginning February 1, 2019, with interest at 2.9%, maturing February 1, 2022. \$ 124,137

The Hospital's notes have an interest rate of 3.49% and are due in monthly payments of \$9,095 through April 1, 2020, and are secured by the general assets of the City. \$ 141,982

Certificates of Participation:

Certificates of participation relate to debt issued by the City of Redfield to facilitate the financing of public capital projects. The City of Redfield leases the assets acquired with the proceeds from the certificates of participation under a ground lease agreement. For financial reporting purposes, the Hospital accounts for the certificates of participation as its own debt. The 2015 certificates carry interest rates ranging from 2.2% to 5.0% and come due in various biannual amounts up through the Hospital's fiscal year ending December 31, 2040.

Under terms of the certificates of participation, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted assets in the financial statements. The agreement also places limitations on additional borrowings, requiring that the Hospital satisfy certain measures of financial performance, before any additional borrowing is allowed.

The certificates of participation are reported net of the applicable discounts. Discounts are amortized over the life of the certificates using the straight line method, which is a reasonable estimate of the effective interest method. Amortization is included in interest expense. \$7,035,000

The annual requirements to amortize all debt outstanding as of December 31, 2018, except for compensated absences, are as follows:

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11 - (Continued)

Annual Requirements to Amortize Long-Term Debt
December 31, 2018

Year Ending Dec. 31,	Revenue Bonds		Note Payable		Financing (Capital Acquisition) Lease		Hospital Long-Term Debt		Total	
	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.	Prin.	Int.
2019	\$ 66,774	\$ 37,200	\$ 30,162	\$2,999	\$183,299	\$8,927	\$ 315,867	\$ 312,513	\$ 596,102	\$ 361,639
2020	72,295	35,686	30,436	2,725	187,709	4,517	246,115	304,626	536,555	347,554
2021	69,188	32,979	31,318	1,843	--	--	220,000	298,458	320,506	333,280
2022	71,864	30,302	32,221	939	--	--	225,000	291,720	329,085	322,961
2023	74,646	27,520	--	--	--	--	230,000	284,183	304,646	311,703
2024 – 2028	176,562	113,736	--	--	--	--	1,305,000	1,277,038	1,481,562	1,390,774
2029 – 2033	176,052	88,541	--	--	--	--	1,625,000	960,531	1,801,052	1,049,072
2034 – 2038	205,090	59,503	--	--	--	--	2,055,000	527,688	2,260,090	587,191
2039 – 2043	193,306	27,715	--	--	--	--	955,000	60,500	1,148,306	88,215
2044 – 2045	71,213	2,333	--	--	--	--	--	--	71,213	2,333
Total	\$1,176,990	\$455,515	\$124,137	\$8,506	\$371,008	\$13,444	\$7,176,982	\$4,317,257	\$8,849,117	\$4,794,722

NOTE 12 - OPERATING LEASES

The Hospital leases certain equipment under various operating leases with terms of less than one year or cancelable upon written notice. Total lease expense for the year ended December 31, 2018, for all operating leases was \$21,173.

NOTE 13 - INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2018, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$107,186	\$ --
Liquor, Lodging and Dining Gross Receipts Tax Fund	\$ --	\$107,186

The purposes for the interfund receivable and payable balances are for the General Fund to help finance the Liquor, Lodging and Dining Gross Receipts Tax Fund until funds are available. The City expects all interfund receivables and payables to be resolved with an operating transfer within one year.

NOTE 14 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2018, was as follows:

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 - (Continued)

Major Purposes:

Water Fund	\$ 87,024
Sewer Fund	8,755
Hospital Fund	<u>530,904</u>
Total Major Funds	<u>626,683</u>

Debt Service Purposes:

Debt Service Fund	<u>54,173</u>
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Permanently Restricted Purposes:

Library Endowment Fund - Expendable	39,403
Library Endowment Fund - Nonexpendable	69,066
Cemetery Perpetual Care Fund - Expendable	37,107
Cemetery Perpetual Care Fund - Nonexpendable	<u>50,000</u>
Total Permanently Restricted	<u>195,576</u>

Other Purposes:

Special Park Gift Fund	2,000
Special Rec Gift Fund	11,722
SDRS Pension Purposes	<u>1,672,406</u>
Total Other Purposes	<u>1,686,128</u>

Total Restricted Net Position \$2,562,560

These balances are restricted due to federal grant, debt and statutory requirements.

NOTE 15 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2018, were as follows:

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 15 - (Continued)

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>General Fund</u>	<u>Total</u>
Major Funds:		
Aggregate Other		
Governmental Funds	\$ 89	\$ 89
Water Fund	3,314	3,314
Sewer Fund	3,211	3,211
Landfill Fund	<u>466</u>	<u>466</u>
	<u>\$7,080</u>	<u>\$7,080</u>

The City typically uses transfers to transfer earnings on deposits and investments from Special Revenue Funds and Proprietary Funds to the General Fund.

NOTE 16 - PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - (Continued)

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2018, 2017 and 2016, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$379,284
2017	\$363,135
2016	\$342,856

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2018, and reported by the City as of December 31, 2018, are as follows:

Proportionate share of total pension liability	\$36,439,002
Less proportionate share of net position restricted for pension benefits	<u>36,445,949</u>

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - (Continued)

Proportionate share of net pension asset \$ (6,947)

At December 31, 2018, the City reported an asset of \$6,947 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the City's proportion was .2978652%, which is an increase of .006621% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$546,836. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$ 262,567	\$ --
Changes in assumption	1,763,697	--
Net difference between projected and actual earnings on pension plan investments	--	525,024
Changes in proportion and difference between City contributions and proportionate share of contributions	8,744	25,409
City contributions subsequent to the measurement date	<u>180,884</u>	<u>--</u>
Total	<u>\$2,215,892</u>	<u>\$550,433</u>

\$180,884 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

<u>Year Ended December 31:</u>	
2019	\$ 956,019
2020	700,868
2021	(102,141)
2022	<u>(70,171)</u>
Total	<u>\$1,484,575</u>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - (Continued)

Discount rate 6.50% net of plan investment expense

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

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

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

Discount Rate:

The discount rate used to measure the total pension asset was 6.5%. 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 asset.

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.5%, 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 (5.5%) or 1-percentage point higher (7.5%) 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)	<u>\$5,246,861</u>	<u>\$(6,947)</u>	<u>\$(4,280,635)</u>

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - (Continued)

Pension Plan Fiduciary Net Position:

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

NOTE 17 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2018, the City was not involved in litigation.

NOTE 18 - SIGNIFICANT CONTINGENCIES - OTHER

The Redfield Housing and Redevelopment Commission is a component unit of the City. The Commission has two loans, one obtained in 2004 for a total of \$760,000 and one obtained in 2007 for \$543,000 for a total of \$1,303,000. The City has guaranteed 25% of each amount which was \$190,000 in 2004 and \$135,750 in 2007 for a total of \$325,750, but believes that the contingency will be immaterial, if any, because the Commission is to repay it.

NOTE 19 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2018, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

CITY OF REDFIELD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 19 - (Continued)

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 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.

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 3, 2019, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 21 - PRIOR PERIOD ADJUSTMENT

In the prior period, the City understated the due from federal government by \$108,796 due to a grant that wasn't received until 2018 and did not get recorded correctly, which resulted in a prior period adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDFIELD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$1,185,750	\$1,185,750	\$1,143,986	\$ (41,764)
General sales and use taxes	900,000	900,000	865,817	(34,183)
Penalties and interest on delinquent taxes	3,000	3,000	2,963	(37)
License and Permits	19,000	19,000	22,391	3,391
Intergovernmental Revenue:				
Federal grants	3,528,000	3,528,000	2,928,542	(599,458)
State grants	200,000	200,000	168,905	(31,095)
State shared revenue:				
Bank franchise tax	5,000	5,000	8,845	3,845
Prorate license fees	5,500	5,500	7,127	1,627
Liquor tax reversion (25%)	15,000	15,000	14,262	(738)
Motor vehicle licenses	25,000	25,000	32,785	7,785
Local government highway and bridge fund	50,000	50,000	57,938	7,938
Other	150	150	288	138
County shared revenue:				
County road tax (25%)	5,180	5,180	5,182	2
County road and bridge tax (25%)	2,770	2,770	2,773	3
County wheel tax	1,000	1,000	1,200	200
Other intergovernmental revenues	--	--	6,000	6,000
Charges for Goods and Services:				
General government	15,250	15,250	18,104	2,854
Public safety	2,600	2,600	2,592	(8)
Health	500	500	570	70
Culture and recreation	34,050	34,050	38,202	4,152
Cemetery	8,500	8,500	8,500	--
Other	3,000	3,000	2,970	(30)
Fines and Forfeits:				
Court fines and costs	2,500	2,500	6,030	3,530
Library	2,000	2,000	1,759	(241)
Other	100	100	--	(100)
Miscellaneous Revenue:				
Investment earnings	6,000	6,000	7,526	1,526
Rentals	10,000	10,000	10,288	288
Special assessments	25,500	25,500	196,331	170,831
Contributions and donations from private sources	--	--	9,238	9,238
Other	<u>24,000</u>	<u>24,000</u>	<u>19,579</u>	<u>(4,421)</u>
TOTAL REVENUE	<u>6,079,350</u>	<u>6,079,350</u>	<u>5,590,693</u>	<u>(488,657)</u>
EXPENDITURES:				
General Government:				
Legislative	92,840	107,840	104,561	3,279
Contingency	30,000	30,000		
Amount transferred		--		30,000
Executive	12,075	12,075	10,989	1,086
Elections	1,200	1,200	588	612

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Financial administration	143,050	173,050	141,387	31,663
Other	16,500	16,500	13,711	2,789
Public Safety:				
Police	325,000	325,000	325,000	--
Fire	66,800	101,800	107,741	(5,941)
Public Works:				
Highways and streets	677,975	862,975	844,554	18,421
Airport	3,998,750	3,998,750	3,292,957	705,793
Cemeteries	45,625	45,625	38,770	6,855
Health and Welfare:				
Health	78,680	78,680	74,082	4,598
Culture and Recreation:				
Recreation	378,350	406,350	399,720	6,630
Parks	77,050	107,050	70,671	36,379
Libraries	119,475	144,475	153,716	(9,241)
Conservation and Development:				
Economic development and assistance	80,000	80,000	74,656	5,344
Debt Service	--	<u>192,000</u>	<u>191,822</u>	<u>178</u>
TOTAL EXPENDITURES	<u>6,143,370</u>	<u>6,683,370</u>	<u>5,844,925</u>	<u>838,445</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,020)</u>	<u>(604,020)</u>	<u>(254,232)</u>	<u>349,788</u>
OTHER FINANCING SOURCES:				
Transfers in	--	--	7,080	7,080
Sale of municipal property	5,000	5,000	45,244	40,244
Compensation for loss or damage to capital assets	--	--	62,450	62,450
Long-term debt issued	--	--	<u>124,137</u>	<u>124,137</u>
TOTAL OTHER FINANCING SOURCES	<u>5,000</u>	<u>5,000</u>	<u>238,911</u>	<u>233,911</u>
NET CHANGE IN FUND BALANCES	<u>(59,020)</u>	<u>(599,020)</u>	<u>(15,321)</u>	<u>583,699</u>
CHANGE IN NONSPENDABLE	<u>954</u>	<u>954</u>	<u>954</u>	<u>--</u>
FUND BALANCE - BEGINNING	562,920	562,920	562,920	--
ADJUSTMENTS:				
Due from the federal government understated in prior year (See Note 21)	<u>108,796</u>	<u>108,796</u>	<u>108,796</u>	<u>--</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>671,716</u>	<u>671,716</u>	<u>671,716</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 613,650</u>	<u>\$ 73,650</u>	<u>\$ 657,349</u>	<u>\$ 583,699</u>

CITY OF REDFIELD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
DECEMBER 31, 2018

NOTE 1 - Budgets and Budgetary Accounting

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

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

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

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

CITY OF REDFIELD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 4 Fiscal Years*			
	(Dollar amounts in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	.2978652%	.29124420%	.2934105%	.3053577%
City's proportionate share of net pension liability (asset)	\$(7)	\$(26)	\$991	\$(1,295)
City's covered payroll	\$6,106	\$5,819	\$5,471	\$5,474
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.11%	0.45%	18.11%	23.66%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.10%	96.89%	104%

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

CITY OF REDFIELD
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	* Last 4 Fiscal Years (Dollar amounts in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 379	\$ 363	\$ 343	\$ 331
Contributions in relation to the contractually required contribution	<u>379</u>	<u>363</u>	<u>343</u>	<u>331</u>
Contribution deficiency (excess)	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
City's covered payroll	\$6,229	\$5,964	\$5,619	\$5,436
Contributions as a percentage of covered payroll	6.08%	6.09%	6.10%	6.09%

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

CITY OF REDFIELD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017, and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017, and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.

SUPPLEMENTARY INFORMATION

CITY OF REDFIELD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Liquor, Lodging and Dining Gross Receipts Tax Fund	Industrial Development Revolving Loan Fund	Special Park Gift Fund	Special Rec Gift Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Library Endowment Fund	Total Nonmajor Governmental Funds
ASSETS:								
Cash and cash equivalents	\$ --	\$ 50,000	\$2,000	\$10,700	\$ 821	\$ --	\$ 45,469	\$ 108,990
Investments	--	226,366	--	1,022	--	87,107	63,000	377,495
Due from state government	7,058	--	--	--	4,104	--	--	11,162
Restricted cash and cash equivalents	--	--	--	--	49,248	--	--	49,248
TOTAL ASSETS	\$ 7,058	\$276,366	\$2,000	\$11,722	\$54,173	\$87,107	\$108,469	\$ 546,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
LIABILITIES:								
Accounts payable	\$ 2,608	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,608
Due to General Fund	107,186	--	--	--	--	--	--	107,186
TOTAL LIABILITIES	109,794	--	--	--	--	--	--	109,794
DEFERRED INFLOWS OF RESOURCES:								
Other deferred inflows of resources	1,146	--	--	--	--	--	--	1,146
TOTAL DEFERRED INFLOWS OF RESOURCES	1,146	--	--	--	--	--	--	1,146
FUND BALANCES:								
Nonspendable	--	--	--	--	--	50,000	69,066	119,066
Restricted	--	--	2,000	11,722	54,173	37,107	39,403	144,405
Committed	--	276,366	--	--	--	--	--	276,366
Unassigned	(103,882)	--	--	--	--	--	--	(103,882)
TOTAL FUND BALANCES	(103,882)	276,366	2,000	11,722	54,173	87,107	108,469	435,955
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,058	\$276,366	\$2,000	\$11,722	\$54,173	\$87,107	\$108,469	\$ 546,895

CITY OF REDFIELD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Liquor, Lodging and Dining Gross Receipts Tax Fund	Industrial Development Revolving Loan Fund	Special Park Gift Fund	Special Rec Gift Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Library Endowment Fund	Total Nonmajor Governmental Funds
REVENUES:								
Taxes:								
General sales and use taxes	\$ 65,268	\$ --	\$ --	\$ --	\$54,173	\$ --	\$ --	\$119,441
Charges for Goods and Services:								
Cemetery	--	--	--	--	--	3,800	--	3,800
Other	3,343	--	--	--	--	--	--	3,343
Miscellaneous Revenue:								
Investment earnings	--	--	10	79	--	--	1,409	1,498
Contributions and donations from private sources	<u>6,469</u>	<u>50,000</u>	<u>--</u>	<u>5,885</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>62,354</u>
TOTAL REVENUE	<u>75,080</u>	<u>50,000</u>	<u>10</u>	<u>5,964</u>	<u>54,173</u>	<u>3,800</u>	<u>1,409</u>	<u>190,436</u>
EXPENDITURES:								
Culture and Recreation:								
Historical preservation	94,362	--	--	--	--	--	--	94,362
Conservation and Development:								
Economic development and assistance	86,683	--	--	--	--	--	--	86,683
Debt Service	--	--	--	--	49,248	--	--	49,248
Capital Outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,600</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,600</u>
TOTAL EXPENDITURES	<u>181,045</u>	<u>--</u>	<u>--</u>	<u>4,600</u>	<u>49,248</u>	<u>--</u>	<u>--</u>	<u>234,893</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(105,965)</u>	<u>50,000</u>	<u>10</u>	<u>1,364</u>	<u>4,925</u>	<u>3,800</u>	<u>1,409</u>	<u>(44,457)</u>

	Liquor, Lodging and Dining Gross Receipts Tax Fund	Industrial Development Revolving Loan Fund	Special Park Gift Fund	Special Rec Gift Fund	Debt Service Fund	Cemetery Perpetual Care Fund	Library Endowment Fund	Total Nonmajor Governmental Funds
OTHER FINANCING USES:								
Transfers out	---	---	(10)	(79)	--	--	--	(89)
TOTAL OTHER FINANCING USES	---	---	(10)	(79)	--	--	--	(89)
NET CHANGE IN FUND BALANCES	(105,965)	50,000	--	1,285	4,925	3,800	1,409	(44,546)
FUND BALANCE - BEGINNING	<u>2,083</u>	<u>226,366</u>	<u>2,000</u>	<u>10,437</u>	<u>49,248</u>	<u>83,307</u>	<u>107,060</u>	<u>480,501</u>
FUND BALANCE - ENDING	<u>\$(103,882)</u>	<u>\$276,366</u>	<u>\$2,000</u>	<u>\$11,722</u>	<u>\$54,173</u>	<u>\$87,107</u>	<u>\$108,469</u>	<u>\$435,955</u>

CITY OF REDFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2018
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Funding:			
S.D. Department of Transportation:			
Airport Improvement Program (Note 3)	20.106	N/A	<u>\$2,928,542</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,928,542</u>
U.S. GENERAL SERVICES ADMINISTRATION:			
Pass-Through Programs:			
S.D. Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 4)	39.003	None	<u>14,648</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			<u>14,648</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Pass-Through Programs:			
S.D. Department of Environment and Natural Resources:			
Capitalization Grants for Drinking Water State Revolving Funds (Federal Portion)	66.468	FS-99876215-1	<u>8,000</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>8,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Funding:			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			
	93.912	N/A	1,500
Pass-Through Programs:			
S.D. Department of Health:			
Small Rural Hospital Improvement Grant Program	93.301	19SC093039	<u>5,085</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>6,585</u>
GRAND TOTAL			<u>\$2,957,775</u>

CITY OF REDFIELD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018
(Continued)

NOTE 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2018. 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: Summary of Significant Accounting Policies

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. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

NOTE 4: Federal Surplus Property

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