

CITY OF PIEDMONT, SOUTH DAKOTA

Communication with Those
Charged with Governance

December 31, 2021



October 31, 2022

Board of Trustees
City of Piedmont, South Dakota

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the City of Piedmont, South Dakota (the City) for the year ended December 31, 2021, and have issued our report thereon dated October 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 4, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting material weaknesses noted during our audit in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated October 31, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence.

As requested, we prepared the financial statements for the City. These statements have been reviewed in detail by management. In addition, an additional review was performed by a member of our team that was not involved in the audit.

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Significant Risks Identified

We are responsible for communicating the significant risks identified in our audit of the financial statements of the City. This communication is intended to inform you of such matters and to assist you in fulfilling your responsibility to oversee the financial reporting process. Significant risks are identified in the regular course of an audit engagement and align with the audit areas that deserve special audit consideration. We devote specific and additional attention to those areas to determine whether they are free from material misstatement. We did not identify any additional issues to report to the board.

We have identified the following significant risks:

- Exchange and non-exchange revenue and receivables were identified as significant due to a lack of segregation of duties over the cash receipt cycle and improper revenue recognition of funds.
- Cash was also identified as significant due to the requirements of debt covenants and maintaining a minimum reserve balance in an interest-bearing account.
- Budgetary compliance was identified as a significant risk due to the risks associated with coding expenditures to maintain budgetary compliance.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There were no changes to the initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The City has no significant estimates.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole cause. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following misstatements that we identified as a result of our audit procedures were brought to the attention of and corrected by management:

- To correct coding of payroll benefits that were not fully allocated out to departments during the monthly closing process.
- To reverse prior year accounts receivable accrual conversion entry and record it to the appropriate fund.
- To reverse prior year accounts payable accrual conversion entry and to record it to the appropriate fund.
- To record amounts owed to others.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 31, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Piedmont, South Dakota, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Piedmont, South Dakota's auditor.

This report is intended solely for the information and use of the Board of Trustees and management of the City of Piedmont, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Casey Peterson, LTD

Casey Peterson, LTD
Rapid City, South Dakota

City of Piedmont, South Dakota

October 31, 2022

Casey Peterson, LTD
909 Saint Joseph St
Rapid City, South Dakota 57701

This representation letter is provided in connection with your audit of the financial statements of the City of Piedmont, South Dakota, which comprise the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund as of December 31, 2021, and the respective changes in modified cash basis financial position and the disclosures for the year then ended, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, in accordance with the modified cash basis of accounting, an other comprehensive basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 31, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 4, 2022, for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for preparation of the supplementary information in accordance with the applicable criteria.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the modified cash basis of accounting.
- All events subsequent to the date of the financial statements and for which the modified cash basis of accounting requires adjustment or disclosure have been adjusted or disclosed.
- There are no uncorrected misstatements.

- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification™ (ASC) 450, *Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have reviewed and approved the various adjusting entries that were proposed by you for recording in our books and records reflected in the financial statements. A list of proposed adjusting journal entries is attached to this letter.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All supplementary information is measured and presented within the prescribed guidelines.
- With respect to preparation of the financial statements, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

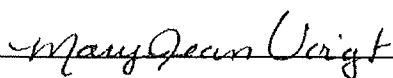
Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The City of Piedmont, South Dakota has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the City of Piedmont, South Dakota is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The City of Piedmont, South Dakota has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
- With respect to the Budgetary Comparison Schedule accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the supplementary information in accordance with the modified cash basis of accounting.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
 - We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
 - We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Signature 

Title BOARD PRESIDENT

Signature 

Title Deputy Finance Officer

Adjusting Journal Entries December 31, 2021

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 3			
To reclassify payroll benefits which relate to finance. Amounts weren't fully allocated out during the closing tools process.			
101-414.2-412.01	410 -> General Government:414 -> Financial Administration:414.2 -> Finance:412 Payroll Taxes & Benefits:Medicare	217.00	
101-414.2-412.02	410 -> General Government:414 -> Financial Administration:414.2 -> Finance:412 Payroll Taxes & Benefits:Social Security	928.00	
101-414.2-412.03	410 -> General Government:414 -> Financial Administration:414.2 -> Finance:412 Payroll Taxes & Benefits:Unemployment - State	202.00	
101-419.6-412.01	410 -> General Government:419 -> Other:419.6 Engineer:412 Payroll Taxes & Benefits:Medicare		217.00
101-419.6-412.02	410 -> General Government:419 -> Other:419.6 Engineer:412 Payroll Taxes & Benefits:Social Security		928.00
101-419.6-412.03	410 -> General Government:419 -> Other:419.6 Engineer:412 Payroll Taxes & Benefits:Unemployment - State		202.00
Total		1,347.00	1,347.00
Adjusting Journal Entries JE # 4			
To reverse prior year accrual conversion entry and record to the proper fund. The 2020 water fund receivable was \$20,079.50.			
101-389	360 -> Miscellaneous Revenue:369 -> Other	20,080.00	
602-102	102 -> First Interstate Bank	20,080.00	
101-102	102 -> First Interstate Bank		20,080.00
602-381.01	370-389 -> Enterprise Operating Revenue:381 -> Water:381.01 -> Metered and Flat Rate Water Sales		20,080.00
Total		40,160.00	40,160.00
Adjusting Journal Entries JE # 5			
To reverse prior year accrual conversion entry and record to proper fund. The 2020 accounts payable were \$3,897.44 (3,817.98 General Fund and 79.46 Water Fund)			
101-102	102 -> First Interstate Bank	80.00	
101-412-412	101 Payroll Taxes & Benefits	2,373.00	
101-412-427	101 Travel and Conferences	90.00	
101-414.2-426	410 -> General Government:414 -> Financial Administration:414.2 -> Finance:426 Supplies & Materials	393.00	
101-414.2-429.1	410 -> General Government:414 -> Financial Administration:414.2 -> Finance:429.1 Dues & Subscriptions	20.00	
101-419.2.9	101-419.2.9 101 Utilities	693.00	
101-431.1.0	101-431.1.8 101 Equipment	223.00	
101-455-434.2	450 -> Culture-Recreation:455 -> Libraries:455.1 -> Library Administration:434.2 Books, Videos, Periodical	25.00	
602-102	102 -> First Interstate Bank	3,697.00	
602-433.1.9	430 -> Public Works:433 -> Water:433.1.9 -> Fuel	35.00	
602-433.5-422	430 -> Public Works:433 -> Water:433.5 -> Administration and General:422 Services and Fees	5.00	
602-433.5-426	430 -> Public Works:433 -> Water:433.5 -> Administration and General:426 Supplies & Materials	105.00	
101-102	102 -> First Interstate Bank		3,897.00
602-102	102 -> First Interstate Bank		80.00
602-433-441b	430 -> Public Works:433 -> Water:433.5 -> Administration and General:441b Prior Year Debt Service		3,897.00
602-433.4.4	430 -> Public Works:433 -> Water:433.4 -> Distribution:433.4.4 -> Supplies		65.00
Total		7,939.00	7,939.00
Adjusting Journal Entries JE # 7			
To code additional expenses to capital outlay per discussion with Mary Jean			
101-431-485	430 -> Public Works:431 -> Highways and Streets:431.1 -> Highway & Street Administration:485 Capital Outlay	4,362.00	
101-431-485	430 -> Public Works:431 -> Highways and Streets:431.1 -> Highway & Street Administration:485 Capital Outlay	25,062.00	
101-431-431.1	430 -> Public Works:431 -> Highways and Streets:431.1 -> Highway & Street Administration		1,981.00
101-431-431.2	430 -> Public Works:431 -> Highways and Streets:431.2 -> Highways, Streets and Roadways		25,062.00
101-431-434	430 -> Public Works:431 -> Highways and Streets:431.1 -> Highway & Street Administration:434 Machinery & Equipment		2,381.00
Total		29,424.00	28,424.00
Adjusting Journal Entries JE # 8			
To record amounts owed to others for Trail West collections on hand at 12/31.			
602-602.0	100-999 -> Fund Balances:600-699 -> Proprietary Fund Balances:600-649 -> Enterprise Funds:602e -> Water Fund:602.0 -> Water Operating	6,093.00	
602-602.2 CP	Amounts Owed to Others		6,093.00
Total		6,093.00	6,093.00
Adjusting Journal Entries JE # 9			
To move ARPA funding from restricted to unrestricted since funding was used for general purpose and not intended for sewer project.			
101-199-101.8	100-999 -> Fund Balances:100-599 -> Governmental Fund Balances:100-199 -> General Funds:101e -> General Fund:101.9 -> ARPA	80,740.00	
101-199	100-999 -> Fund Balances:100-599 -> Governmental Fund Balances:100-199 -> General Funds:101e -> General Fund:101.0 -> General Operating		80,740.00
Total		80,740.00	80,740.00

CITY OF PIEDMONT, SOUTH DAKOTA

Financial Statements

December 31, 2021

City of Piedmont, South Dakota
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December 31, 2021

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

Board of Trustees
City of Piedmont, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Piedmont, South Dakota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Management's Response as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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City of Piedmont, South Dakota
Schedule of Findings and Management's Response
December 31, 2021

Material Weakness

Lack of Segregation of Duties

2021-001 *Condition:* Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. The City of Piedmont, South Dakota has a concentration of incompatible duties related to the cash receipt process. This finding was reported in the prior year.

Criteria: Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. The Organization has a general lack of segregation of duties, which is a fundamental concept in a good system of internal control.

Cause: The City has a limited number of office personnel. There is often only one employee in the office receiving payments from customers which prevents proper segregation of duties related to the cash receipt cycles.

Effect: There is the potential that intentional or unintentional errors could be made and not be detected.

Auditor's Recommendation: The Board of Trustees should be aware of this condition and realize that the concentration of duties among a limited number of individuals is not desirable from a control perspective. Although proper segregation may not be possible due to the limited number of office personnel, the City can implement improvements to reduce the risk of errors or fraud. As the City accepts cash payments, there should always be more than one individual in the office.

Management's Response: The City of Piedmont is a fairly small city with only two part-time employees who handle the accounting, reporting, billing, and all other administrative functions needed by the City. The Board of Trustees remains involved in many of the day-to-day affairs of the organization.

The City recognizes there is a potential opportunity for errors or misappropriation in the cash receipting process but believes the potential loss is immaterial. The City does not feel it is cost-effective to add additional employees or increase hours to provide additional staffing for the water receipt process.

Responsible Parties: Finance Officer and Deputy Finance Officer

Time Frame: Ongoing

Material Weakness

Internal Control over the Preparation of Financial Statements and Accounting for Governmental and Business-type Activities

2021-002 *Condition:* The City requests its auditor to draft the year-end financial statements and accompanying notes. In addition, material adjustments were necessary to correct beginning equity, for each fund and as a whole, and to properly record activity in the governmental and proprietary funds.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statements is the responsibility of management. The City should have an internal control system in place to prepare the financial statements and to prevent, or detect and correct, material misstatements.

Cause: The City does not have an internal control system in place to prepare the financial statements and to identify errors in the accounting records, which is common for a City of this size due to the limited number of office staff.



Independent Auditor's Report

Board of Trustees
City of Piedmont, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the City of Piedmont, South Dakota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2021, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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The budgetary comparison schedule and list of City Officials 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. We have applied certain limited procedures to the supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

October 31, 2022

BASIC FINANCIAL STATEMENTS

City of Piedmont, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,022,723	\$ (1,185)	\$ 1,021,538
Investments	<u>-</u>	<u>20,862</u>	<u>20,862</u>
TOTAL ASSETS	<u>\$ 1,022,723</u>	<u>\$ 19,677</u>	<u>\$ 1,042,400</u>
NET POSITION			
Restricted for:			
Amounts Owed to Others	\$ -	\$ 6,093	\$ 6,093
Reserved for Debt Service	-	51,227	51,227
Unrestricted	<u>1,022,723</u>	<u>(37,643)</u>	<u>985,080</u>
TOTAL NET POSITION	<u>\$ 1,022,723</u>	<u>\$ 19,677</u>	<u>\$ 1,042,400</u>

The accompanying notes are an integral part of this statement.

Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	(63,456)	\$ -	\$ (63,456)
-	(58)	-	(58)
-	(128,472)	-	(128,472)
-	(54,207)	-	(54,207)
-	(246,193)	-	(246,193)
-	-	(34,619)	(34,619)
<u>\$ -</u>	<u>(246,193)</u>	<u>(34,619)</u>	<u>(280,812)</u>
	351,894	-	351,894
	158,466	-	158,466
	586	-	586
	294	-	294
	35,556	-	35,556
	16,955	-	16,955
	391	-	391
	240	-	240
	-	64	64
	<u>564,382</u>	<u>64</u>	<u>564,446</u>
	318,189	(34,555)	283,634
	<u>704,534</u>	<u>54,232</u>	<u>758,766</u>
<u>\$ 1,022,723</u>	<u>\$ 19,677</u>	<u>\$ 1,042,400</u>	

The accompanying notes are an integral part of this statement.

City of Piedmont, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Modified Cash Basis - Governmental Fund
For the Year Ended December 31, 2021

	General Fund
GENERAL RECEIPTS	
Taxes:	
Sales and Use Taxes	\$ 351,894
Property Taxes	158,466
Gross Receipts Business Tax	586
Penalties and Interest on Delinquent Taxes	294
Licenses and Permits	13,978
Intergovernmental Receipts:	
Federal Grants	80,740
State Shared Revenue	35,556
County Road Tax	16,955
State Grants	6,602
Fines and Forfeits	391
Charges for Goods and Services	57
Miscellaneous Revenue	390
Total Receipts	665,909
DISBURSEMENTS	
General Government:	
Financial Administration	107,325
Legislative	23,802
Executive	5,687
Other	27,269
Public Safety	58
Public Works	33,166
Culture and Recreation:	
Libraries	50,388
Parks	3,969
Capital Outlay	96,056
Total Disbursements	347,720
NET CHANGE IN FUND BALANCE	318,189
FUND BALANCE, BEGINNING OF YEAR	704,534
FUND BALANCE, END OF YEAR	\$ 1,022,723

The accompanying notes are an integral part of this statement.

City of Piedmont, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Modified Cash Basis - Proprietary Fund
For the Year Ended December 31, 2021

	Water Fund
OPERATING RECEIPTS	
Revenue Dedicated to Servicing Debt	\$ 154,575
OPERATING DISBURSEMENTS	
Personal Services	9,856
Other Current Disbursements	108,044
Total Operating Disbursements	117,900
OPERATING INCOME	36,675
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Principal Payments	(47,972)
Interest Payments	(23,322)
Interest on Certificates of Deposits	64
Total Nonoperating Disbursements	(71,230)
CHANGE IN NET POSITION	(34,555)
NET POSITION, BEGINNING	54,232
NET POSITION, ENDING	\$ 19,677

The accompanying notes are an integral part of this statement.

City of Piedmont, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, disbursements paid, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- 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 operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This fund is a major fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under accounting principles generally accepted in the United States of America, transactions are recorded when cash is received or disbursed.

Measurement Focus

Government-wide Financial Statements:

In the Statement of Net Position - Modified Cash Basis and the Statement of Activities - Modified Cash Basis, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined in the Basis of Accounting section.

City of Piedmont, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CAPITAL ASSETS

Under the modified cash basis of accounting, the City's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash, in the government-wide financial statements, the fund financial statements and the proprietary financial statements.

F. LONG-TERM LIABILITIES

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated but are reported as a separate program cost category.

Long-term debt arising from cash transactions of all funds is not reported as liabilities in the modified cash basis financial statements.

G. PROGRAM RECEIPTS

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

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.

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.

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. The City had no program-specific capital grants and contributions in the current year.

H. PROPRIETARY FUNDS RECEIPTS AND DISBURSEMENTS CLASSIFICATION

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

I. EQUITY CLASSIFICATIONS

Government-wide Financial Statements:

Equity is classified as net position and is displayed in one of the following two components under the modified cash basis:

Restricted Net Position - Consists of net position with constraints placed on the use either by external groups or law.

Unrestricted Net Position - Includes all other net positions that do not meet the definition of restricted net position.

City of Piedmont, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits

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

Investments

In general, SDCL 4-5-6 permits City funds to be invested 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. Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at the date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, the City's bank balances above FDIC limits are insured and collateralized in compliance with the South Dakota Public Deposit Protection Collateral Program.

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.

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. The City has all of its deposits in demand deposits and certificates of deposits.

NOTE 3 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

City of Piedmont, South Dakota
Notes to the Financial Statements
December 31, 2021

NOTE 4 - COMMITMENTS (CONTINUED)

The annual requirements to amortize the long-term liability outstanding as of December 31, 2021, (using the revised repayment schedule for the General Obligation Bond), including interest are as follows:

	Principal	Interest	Total
2022	\$ 46,268	\$ 20,213	\$ 66,481
2023	49,390	19,498	68,888
2024	50,968	17,920	68,888
2025	52,597	16,291	68,888
2026	54,278	14,610	68,888
2027-2031	298,556	45,883	344,439
2032-2034	132,322	4,554	136,876
	\$ 684,379	\$ 138,969	\$ 823,348

NOTE 5 - RISK MANAGEMENT

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions that was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The City has no deductible for general liability coverage, a \$5,000 deductible for errors and omissions of public officials, and a \$500 deductible for all other claims.

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

Unemployment Benefits

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

SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	(200,000)	-	200,000
NET CHANGE IN FUND BALANCE	(900,000)	(700,000)	318,189	1,018,189
FUND BALANCE, BEGINNING OF YEAR	704,534	704,534	704,534	-
FUND BALANCE, END OF YEAR	<u>\$ (195,466)</u>	<u>\$ 4,534</u>	<u>\$ 1,022,723</u>	<u>\$ 1,018,189</u>

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

**City of Piedmont, South Dakota
List of City Officials
December 31, 2021**

PRESIDENT

Phil Anderson

VICE PRESIDENT

Jack Parks

TRUSTEES

Phil Aitken
Mike Lee
Jim Runyan

FINANCE OFFICER

Diana L Evans

WATER

Jeff Kottwitz

See independent auditor's report.