

# **TOWN OF BUFFALO, SOUTH DAKOTA**

INDEPENDENT AUDITOR'S REPORTS,  
FINANCIAL STATEMENTS, AND  
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 AND 2019

**CASEY  PETERSON**  
*Leading the Way.*

RAPID CITY, SOUTH DAKOTA  
GILLETTE, WYOMING



**Town of Buffalo, South Dakota**  
**Table of Contents**  
**December 31, 2018 and 2019**

---

	<u>PAGE</u>
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 <i>Government Auditing Standards</i> .....	1 - 2
Schedule of Findings and Management's Responses .....	3 - 4
Independent Auditor's Report .....	5 - 6
 <b>BASIC FINANCIAL STATEMENTS</b>	
For the Year Ended December 31, 2018	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position - Modified Cash Basis .....	9
Statement of Activities - Modified Cash Basis .....	10 - 11
<i>Fund Financial Statements:</i>	
Balance Sheet - Modified Cash Basis - Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds .....	14 - 15
Balance Sheet - Modified Cash Basis - Proprietary Funds .....	16
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds .....	17
For the Year Ended December 31, 2019	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position - Modified Cash Basis .....	19
Statement of Activities - Modified Cash Basis .....	20 - 21
<i>Fund Financial Statements:</i>	
Balance Sheet - Modified Cash Basis - Governmental Funds .....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds .....	24 - 25
Balance Sheet - Modified Cash Basis - Proprietary Funds .....	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds .....	27
Notes to the Financial Statements .....	28 - 42

**Town of Buffalo, South Dakota  
Table of Contents (Continued)  
December 31, 2018 and 2019**

---

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budgetary Basis - General Fund for the Year Ended December 31, 2018 .....	44 - 45
Budgetary Comparison Schedule - Budgetary Basis - General Fund for the Year Ended December 31, 2019 .....	46 - 47
Schedule of Net Pension Liability (Asset).....	48
Schedule of Pension Contributions .....	49
Notes to the Supplementary Information .....	50
Town Officials .....	51

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*

Town Board of Trustees  
Town of Buffalo, 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 Town of Buffalo, South Dakota, as of and for the years ended December 31, 2018 and 2019 and the related notes to the financial statements, which collectively comprise the Town of Buffalo, South Dakota's basic financial statements and have issued our report thereon dated July 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Buffalo, South Dakota'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 Town of Buffalo, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Buffalo, South Dakota'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 were not identified. We consider the deficiencies 2019-001, 2019-002, and 2019-003 described in the accompanying Schedule of Findings and Management's Responses to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Buffalo, South Dakota'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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*. Noncompliance is reported as item 2019-003.

### Town of Buffalo, South Dakota's Response to Findings

The Town of Buffalo, South Dakota's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Management's Responses. The Town of Buffalo, South Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive style.

Casey Peterson, Ltd.

Rapid City, South Dakota  
July 20, 2020

**Town of Buffalo, South Dakota**  
**Schedule of Findings and Management's Responses**  
**December 31, 2018 and 2019**

---

Material Weakness

Internal Controls Related to Drafting Financial Statements

2019-001 *Condition:* As the auditor, we were requested to draft the financial statements and the accompanying notes to the financial statements and an audit adjustment was proposed to convert the accounting records to the modified cash basis.

*Criteria:* Establishing internal controls over the preparation of the financial statements is the responsibility of management.

*Cause:* Due to the limited number of employees, the Town does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Effect:* The Town engages its auditor to draft the financial statements and assist in the conversion to the modified cash basis of accounting for financial statement presentation.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the Town's auditors drafting the financial statements because of cost or other considerations. If the Town chooses not to accept this risk, training should be provided to those employees responsible for drafting the financial statements and related notes.

*Management's Response:* The Town accepts the risk related to hiring the auditor to prepare the financial statements and notes to the financial statements.

Material Weakness

Internal Controls Related Reviewing Cash Receipts and Adequate Segregation of Duties

2019-002 *Condition:* The lack of accounting experience among the few staff members does not allow the Town to perform oversight over the cash receipt and disbursement processes as well as separate incompatible accounting functions or processes which would be necessary under a properly designed system of internal controls.

*Criteria:* The Town should have safeguards in place to separate accounting functions which is fundamental in a good system of internal controls.

*Cause:* The Town office has a small staff, and there is a limited number of people in the Town's governance with an accounting background.

*Effect:* The Finance Clerk performs the billing, receives payments, pays bills, processes payroll, and enters data into the system and other functions with limited oversight. The possibility of fraud or errors occurring and not being detected or corrected is present. There is a potential that intentional or unintentional errors could be made and not be detected.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with one person performing all accounting and finance functions with limited oversight, because of cost or other considerations. The Town Board should review bank statements, bank account reconciliations, monthly financial statements, and budget reports, utility billing aging reports, and other financial reports in order to provide oversight of the finance function of the Town.

*Management's Response:* The Town accepts the risk related to the segregation of duties and will implement additional reviews of financial information at the monthly board meetings.

**Town of Buffalo, South Dakota**  
**Schedule of Findings and Management's Responses (Continued)**  
**December 31, 2018 and 2019**

---

Material Weakness and Noncompliance  
Internal Controls Related to Budget Oversight

2019-003 *Condition:* As noted in the budgetary comparison schedules, the Town overspent the approved amount appropriated for certain departments for the years ended December 31, 2019 and 2018.

*Criteria:* The Town's control structure should be designed to ensure compliance with South Dakota Codified Laws for municipal finances. The Town violated provisions of SDCL 9-21-9.

*Cause:* There is a lack of oversight in the control processes, limited staff size, and turnover in staff during the year. It was noted that the total appropriated expenditures were not exceeded however, several departments were exceeded.

*Effect:* The Town was not compliant with South Dakota Codified Law.

*Auditor's Recommendation:* We recommend that management review the budget monthly with the financial statements. Should there be changes in expected spending for certain departments, the budget should be amended. We suggest the new finance officer receive training related to applicable statutes.

*Management's Response:* Management will review budgets more frequently to identify possible budget overages and make amendments as necessary.



## Independent Auditor's Report

Town Board of Trustees  
Town of Buffalo, South Dakota  
Buffalo, South Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Buffalo, South Dakota, as of and for the years ended December 31, 2018 and 2019, and the related notes to the financial statements, which collectively comprise the Town'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, and each major fund of the Town of Buffalo, South Dakota, as of December 31, 2018 and 2019, and the respective changes in financial position - modified cash basis for the years then ended in accordance with the basis of accounting described in Note 1.

### 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 opinion is not modified with respect to that matter.

### Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Buffalo, South Dakota's basic financial statements. The budgetary comparison information on pages 44 - 47, Schedule of Net Pension Liability (Asset) on page 48, Schedule of Pension Contributions on page 49, and list of Town Officials on page 51, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020, on our consideration of the Town of Buffalo, South Dakota'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 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 the Town'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 Town of Buffalo, South Dakota's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota  
July 20, 2020

## BASIC FINANCIAL STATEMENTS

*THIS PAGE INTENTIONALLY LEFT BLANK*

**Town of Buffalo, South Dakota**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 986,182	\$ 185,330	\$ 1,171,512
Restricted Assets:			
Debt Service Reserve	-	75,121	75,121
Customer Deposit Reserve	-	7,306	7,306
<b>TOTAL ASSETS</b>	<u>\$ 986,182</u>	<u>\$ 267,757</u>	<u>\$ 1,253,939</u>
<b>NET POSITION</b>			
Restricted for:			
Debt Service	\$ -	\$ 75,121	\$ 75,121
Customer Deposits	-	7,306	7,306
Unrestricted	<u>986,182</u>	<u>185,330</u>	<u>1,171,512</u>
<b>TOTAL NET POSITION</b>	<u>\$ 986,182</u>	<u>\$ 267,757</u>	<u>\$ 1,253,939</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2018**

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Capital Grants, Loans and Contributions
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities:			
General Government	\$ 103,393	\$ 18,802	\$ -
Public Safety	46,279	-	-
Public Works	84,821	-	-
Health and Welfare	4,018	-	-
Culture and Recreation	29,852	-	-
Total Governmental Activities	<u>268,363</u>	<u>18,802</u>	<u>-</u>
Business-type Activities:			
Water	132,189	146,291	-
Sewer	31,571	43,292	-
Sanitation	61,642	56,668	-
Liquor	59,332	86,388	-
Total Business-type Activities	<u>284,734</u>	<u>332,639</u>	<u>-</u>
Total Primary Government	<u>\$ 553,097</u>	<u>\$ 351,441</u>	<u>\$ -</u>

**GENERAL RECEIPTS AND TRANSFERS**

Taxes:

Property Taxes

Sales Tax

State Shared Receipts

Unrestricted Investment Earnings

Transfers

Total General Receipts and Transfers

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING**

**NET POSITION - ENDING**

The accompanying notes are an integral part of this statement.

Net (Disbursements) Receipts and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (84,591)	\$ -	\$ (84,591)
(46,279)	-	(46,279)
(84,821)	-	(84,821)
(4,018)	-	(4,018)
<u>(29,852)</u>	<u>-</u>	<u>(29,852)</u>
<u>(249,561)</u>	<u>-</u>	<u>(249,561)</u>
-	14,102	14,102
-	11,721	11,721
-	(4,974)	(4,974)
<u>-</u>	<u>27,056</u>	<u>27,056</u>
<u>-</u>	<u>47,905</u>	<u>47,905</u>
<u>(249,561)</u>	<u>47,905</u>	<u>(201,656)</u>
115,521	-	115,521
195,841	-	195,841
43,674	-	43,674
9,840	-	9,840
4,417	(4,417)	-
<u>369,293</u>	<u>(4,417)</u>	<u>364,876</u>
119,732	43,488	163,220
<u>866,450</u>	<u>224,269</u>	<u>1,090,719</u>
<u>\$ 986,182</u>	<u>\$ 267,757</u>	<u>\$ 1,253,939</u>

The accompanying notes are an integral part of this statement.

*THIS PAGE INTENTIONALLY LEFT BLANK*



**Town of Buffalo, South Dakota**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2018**

---

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>986,182</u>
<b>TOTAL ASSETS</b>	<u>\$ 986,182</u>
<b>FUND BALANCES</b>	
Unassigned	\$ <u>986,182</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 986,182</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2018**

	General Fund
<b>RECEIPTS</b>	
Taxes:	
General Property Taxes	\$ 115,521
General Sales and Use Taxes	195,841
Licenses and Permits	5,778
Intergovernmental Receipts:	
State Shared Receipts:	
Other	43,080
County Road Tax	594
Charges for Goods and Services:	
General Government	5,468
Fines and Forfeits:	
Court Fines and Costs	34
Miscellaneous Revenue:	
Investment Earnings	9,840
Rent Receipts	1,003
Operating Agreement	6,519
<b>TOTAL RECEIPTS</b>	<b>383,678</b>
<b>DISBURSEMENTS</b>	
General Government:	
Legislative	6,203
Financial Administration	75,779
Other	20,521
Public Safety:	
Police	40,833
Fire	5,446
Public Works:	
Highways and Streets	63,096
Health and Welfare	4,018
Culture and Recreation:	
Recreation Center	16,306
Parks	11,881
Museum	1,665
Other Miscellaneous	890
Capital Outlay	21,725
<b>TOTAL DISBURSEMENTS</b>	<b>268,363</b>

The accompanying notes are an integral part of this statement.

	<u>General Fund</u>
<b>OTHER FINANCING SOURCES</b>	
Transfers In	<u>4,417</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>4,417</u>
<b>NET CHANGE IN FUND BALANCE</b>	119,732
<b>FUND BALANCE - BEGINNING</b>	<u>866,450</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 986,182</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Balance Sheet - Modified Cash Basis - Proprietary Funds**  
**December 31, 2018**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Liquor Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 51,348	\$ 90,298	\$ 4,461	\$ 39,223	\$ 185,330
Restricted Cash	<u>82,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,427</u>
<b>TOTAL ASSETS</b>	<u>\$ 133,775</u>	<u>\$ 90,298</u>	<u>\$ 4,461</u>	<u>\$ 39,223</u>	<u>\$ 267,757</u>
<b>NET POSITION</b>					
Restricted for:					
Revenue Bond Debt Service	\$ 75,121	\$ -	\$ -	\$ -	\$ 75,121
Customer Deposits	7,306	-	-	-	7,306
Unrestricted	<u>51,348</u>	<u>90,298</u>	<u>4,461</u>	<u>39,223</u>	<u>185,330</u>
<b>TOTAL NET POSITION</b>	<u>\$ 133,775</u>	<u>\$ 90,298</u>	<u>\$ 4,461</u>	<u>\$ 39,223</u>	<u>\$ 267,757</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Modified Cash Basis - Proprietary Funds**  
**December 31, 2018**

	Water Fund	Sewer Fund	Sanitation Fund	Liquor Fund	Total Proprietary Funds
<b>OPERATING RECEIPTS</b>					
Sales	\$ 67,936	\$ 42,827	\$ 56,643	\$ 80,388	\$ 247,794
Revenue Dedicated to Servicing Debt	74,940	-	-	-	74,940
Rent Agreements	3,415	465	25	6,000	9,905
Total Operating Receipts	<u>146,291</u>	<u>43,292</u>	<u>56,668</u>	<u>86,388</u>	<u>332,639</u>
<b>OPERATING DISBURSEMENTS</b>					
Personnel	23,646	27,114	10,470	17,855	79,085
Materials	16,731	2,267	41,348	25,565	85,911
Other Operating Expenses	16,583	2,190	9,824	15,912	44,509
Total Operating Disbursements	<u>56,960</u>	<u>31,571</u>	<u>61,642</u>	<u>59,332</u>	<u>209,505</u>
<b>OPERATING INCOME (LOSS)</b>	<u>89,331</u>	<u>11,721</u>	<u>(4,974)</u>	<u>27,056</u>	<u>123,134</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>					
Debt Service Payments	(50,954)	-	-	-	(50,954)
Interest	(24,275)	-	-	-	(24,275)
Total Nonoperating Disbursements	<u>(75,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,229)</u>
<b>TRANSFERS</b>					
Transfers In (Out)	-	-	5,000	(9,417)	(4,417)
<b>CHANGE IN NET POSITION</b>	14,102	11,721	26	17,639	43,488
<b>NET POSITION - BEGINNING</b>	<u>119,673</u>	<u>78,577</u>	<u>4,435</u>	<u>21,584</u>	<u>224,269</u>
<b>NET POSITION - ENDING</b>	<u>\$ 133,775</u>	<u>\$ 90,298</u>	<u>\$ 4,461</u>	<u>\$ 39,223</u>	<u>\$ 267,757</u>

The accompanying notes are an integral part of this statement.

*THIS PAGE INTENTIONALLY LEFT BLANK*

**Town of Buffalo, South Dakota**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 859,093	\$ 224,315	\$ 1,083,408
Restricted Assets:			
Debt Service Reserve	-	33,342	33,342
Customer Deposit Reserve	-	7,287	7,287
<b>TOTAL ASSETS</b>	<u>\$ 859,093</u>	<u>\$ 264,944</u>	<u>\$ 1,124,037</u>
<b>NET POSITION</b>			
Restricted for:			
Debt Service	\$ -	\$ 33,342	\$ 33,342
Customer Deposits	-	7,287	7,287
Unrestricted	<u>859,093</u>	<u>224,315</u>	<u>1,083,408</u>
<b>TOTAL NET POSITION</b>	<u>\$ 859,093</u>	<u>\$ 264,944</u>	<u>\$ 1,124,037</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2019**

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Capital Grants, Loans and Contributions
<b>PRIMARY GOVERNMENT</b>			
Governmental Activities:			
General Government	\$ 124,392	\$ 24,721	\$ -
Public Safety	48,709	-	-
Public Works	282,368	-	-
Health and Welfare	3,932	-	-
Culture and Recreation	68,751	-	-
Total Governmental Activities	<u>528,152</u>	<u>24,721</u>	<u>-</u>
Business-type Activities:			
Water	210,892	191,254	-
Sewer	26,533	46,898	-
Sanitation	54,721	52,484	-
Liquor	10,503	4,200	-
Total Business-type Activities	<u>302,649</u>	<u>294,836</u>	<u>-</u>
Total Primary Government	<u>\$ 830,801</u>	<u>\$ 319,557</u>	<u>\$ -</u>

**GENERAL RECEIPTS AND TRANSFERS**

Taxes:

Property Taxes

Sales Tax

State Shared Receipts

Unrestricted Investment Earnings

Miscellaneous Receipts

Sale of Municipal Property

Transfers

Total General Receipts and Transfers

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING**

**NET POSITION - ENDING**

The accompanying notes are an integral part of this statement.



Net (Disbursements) Receipts and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (99,671)	\$ -	\$ (99,671)
(48,709)	-	(48,709)
(282,368)	-	(282,368)
(3,932)	-	(3,932)
(68,751)	-	(68,751)
(503,431)	-	(503,431)
-	(19,638)	(19,638)
-	20,365	20,365
-	(2,237)	(2,237)
-	(6,303)	(6,303)
-	(7,813)	(7,813)
(503,431)	(7,813)	(511,244)
114,838	-	114,838
208,632	-	208,632
39,612	-	39,612
15,349	-	15,349
994	-	994
1,917	-	1,917
(5,000)	5,000	-
376,342	5,000	381,342
(127,089)	(2,813)	(129,902)
986,182	267,757	1,253,939
\$ 859,093	\$ 264,944	\$ 1,124,037

The accompanying notes are an integral part of this statement.

*THIS PAGE INTENTIONALLY LEFT BLANK*

**Town of Buffalo, South Dakota**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**December 31, 2019**

---

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>859,093</u>
<b>TOTAL ASSETS</b>	<u>\$ 859,093</u>
<b>FUND BALANCES</b>	
Unassigned	\$ <u>859,093</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 859,093</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Funds**  
**For the Year Ended December 31, 2019**

	General Fund
<b>RECEIPTS</b>	
Taxes:	
General Property Taxes	\$ 114,838
General Sales and Use Taxes	208,632
Licenses and Permits	4,236
Intergovernmental Receipts:	
State Shared Receipts:	
Other	37,714
County Road Tax	1,898
Charges for Goods and Services:	
General Government	8,697
Fines and Forfeits:	
Court Fines and Costs	64
Miscellaneous Revenue:	
Investment Earnings	15,349
Rent Receipts	4,910
Operating Agreement	6,814
Other	994
<b>TOTAL RECEIPTS</b>	<b>404,146</b>
<b>DISBURSEMENTS</b>	
General Government:	
Legislative	24,788
Financial Administration	73,958
Other	24,846
Public Safety:	
Police	43,250
Fire	5,459
Public Works:	
Highways and Streets	117,933
Health and Welfare	3,932
Culture and Recreation:	
Recreation	54,840
Parks	11,792
Museum	2,119
Other Miscellaneous	800
Capital Outlay	164,435
<b>TOTAL DISBURSEMENTS</b>	<b>528,152</b>

The accompanying notes are an integral part of this statement.

	<u>General Fund</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from Sale of Assets	1,917
Transfers Out	<u>(5,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,083)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(127,089)
<b>FUND BALANCE - BEGINNING</b>	<u>986,182</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 859,093</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Balance Sheet - Modified Cash Basis - Proprietary Funds**  
**December 31, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Liquor Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 73,508	\$ 110,663	\$ 7,224	\$ 32,920	\$ 224,315
Restricted Cash	<u>40,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,629</u>
<b>TOTAL ASSETS</b>	<u>\$ 114,137</u>	<u>\$ 110,663</u>	<u>\$ 7,224</u>	<u>\$ 32,920</u>	<u>\$ 264,944</u>
<b>NET POSITION</b>					
Restricted for:					
Revenue Bond Debt Service	\$ 33,342	\$ -	\$ -	\$ -	\$ 33,342
Customer Deposits	7,287	-	-	-	7,287
Unrestricted	<u>73,508</u>	<u>110,663</u>	<u>7,224</u>	<u>32,920</u>	<u>224,315</u>
<b>TOTAL NET POSITION</b>	<u>\$ 114,137</u>	<u>\$ 110,663</u>	<u>\$ 7,224</u>	<u>\$ 32,920</u>	<u>\$ 264,944</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Modified Cash Basis - Proprietary Funds**  
**For the Year Ended December 31, 2019**

	Water Fund	Sewer Fund	Sanitation Fund	Liquor Fund	Total Proprietary Funds
<b>OPERATING RECEIPTS</b>					
Charges for Services	\$ 72,289	\$ 45,605	\$ 52,484	\$ 4,200	\$ 174,578
Revenue Dedicated to Servicing Debt	73,514	-	-	-	73,514
Rent Agreements	45,451	1,293	-	-	46,744
Total Operating Receipts	<u>191,254</u>	<u>46,898</u>	<u>52,484</u>	<u>4,200</u>	<u>294,836</u>
<b>OPERATING DISBURSEMENTS</b>					
Personnel	18,881	21,214	9,784	282	50,161
Materials	27,566	4,281	38,633	8,439	78,919
Other Operating Expenses	49,152	1,038	6,304	1,782	58,276
Total Operating Disbursements	<u>95,599</u>	<u>26,533</u>	<u>54,721</u>	<u>10,503</u>	<u>187,356</u>
<b>OPERATING INCOME (LOSS)</b>	<u>95,655</u>	<u>20,365</u>	<u>(2,237)</u>	<u>(6,303)</u>	<u>107,480</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>					
Debt Service Payments	(92,540)	-	-	-	(92,540)
Interest	(22,753)	-	-	-	(22,753)
Total Nonoperating Disbursements	<u>(115,293)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,293)</u>
<b>TRANSFERS</b>					
Transfers In	-	-	5,000	-	5,000
<b>CHANGE IN NET POSITION</b>	(19,638)	20,365	2,763	(6,303)	(2,813)
<b>NET POSITION - BEGINNING</b>	<u>133,775</u>	<u>90,298</u>	<u>4,461</u>	<u>39,223</u>	<u>267,757</u>
<b>NET POSITION - ENDING</b>	<u>\$ 114,137</u>	<u>\$ 110,663</u>	<u>\$ 7,224</u>	<u>\$ 32,920</u>	<u>\$ 264,944</u>

The accompanying notes are an integral part of this statement.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as described within this note. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**A. REPORTING ENTITY**

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

The reporting entity is comprised of the primary government, Town of Buffalo.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town is financially accountable if it's 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 Town (primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town.

Based on the application of these criteria, the Town does not have any component units.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the Town as a whole. These statements include all funds of the overall government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. 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 disbursements and program receipts for each segment of the business-type activities of the Town and each function of the Town's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions and loan proceeds that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.



**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

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

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

The funds of the Town are described below:

**Governmental Funds:**

*General Fund* - The General Fund is the general operating fund of the Town. 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.

**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, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

*Liquor Fund* - Financed primarily by consumer charges, this fund accounts for the construction and operation of the municipal bar and related equipment. This fund is a major fund.

*Solid Waste Fund* - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal rubble site facilities, and the municipal garbage compaction/baling and disposal/hauling operations. This fund is a major fund.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds and are used to account for resources held by the Town in a purely custodial capacity (assets equal liabilities). The Town did not have fiduciary funds as of December 31, 2018 or 2019.

**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.

The Town's basis of accounting is the modified cash basis, which is a basis of accounting other than GAAP. Under GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

**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 within the limitations of the modified cash basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used, applied within the limitations of the modified cash basis of accounting.

**Basis of Accounting**

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using the modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Acceptable modifications to the cash basis of accounting implemented by the Town in these financial statements include the recording of certificates of deposit with maturities of greater than 90 days from the date of acquisition and inter-fund advances and borrowing arising from the use of a pooled cash account.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a customer transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town applied accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**D. CASH AND CASH EQUIVALENTS**

The Town pools its cash resources for deposit purposes. The proprietary funds have access to their cash resources on demand.

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and short-term investments with a term to maturity at the date of acquisition of three months or less. Certificates of deposit whose term to maturity at the date of acquisition exceeds three months are carried at cost and included in cash and cash equivalents.

**E. RESTRICTED CASH DEPOSITS**

The Town maintains restricted cash deposits for utility customer account deposits and debt service reserves.

**F. CAPITAL ASSETS**

*Government-wide Financial Statements*

Under the modified cash basis of accounting, the Town's capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

*Fund Financial Statements*

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner in the government-wide financial statements.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. LONG-TERM LIABILITIES**

Long-term liabilities include, but are not limited to, a contract for deed and financing notes.

As discussed in Note 1.C. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The Town has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Town. The Town does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances. On the Statement of Activities, the principal and interest on these debt service payments are reported within the appropriate expense function.

**H. REVENUE RECEIVED IN ADVANCE**

Under the modified cash basis of accounting, cash may have been received in advance of the Town's providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

**I. PROGRAM RECEIPTS**

Program receipts derive directly from the program itself or parties other than the Town's taxpayers or citizenry as a whole. Program receipts 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.

**J. 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.

**K. EQUITY CLASSIFICATIONS**

*Government-Wide Financial Statements:*

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

1. *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.
2. *Unrestricted Net Position* - All other net position that does not meet the definition of Restricted Net Position.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is made for purposes for which both restricted and unrestricted net position are available.

*Fund Financial Statements*

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

*Nonspendable* - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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

*Committed* - Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Trustees and do not lapse at year-end.

*Assigned* - Includes amounts that are constrained by the Town management and are intended to be used for specific purposes but are neither restricted nor committed. The Town Board of Trustees has given management the authority to create assignments of fund equity.

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

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

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

Proprietary fund equity is classified the same as in the government-wide financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Town 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 Town'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% 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.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

In general, SDCL 4-5-6 permits Town 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, SDCL4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any banker or trust company designated by the political subdivision as its fiscal agent. As of December 31, 2019, and 2018, the Town did not hold any investments as defined by Governmental Accounting Standards Board. The Town also does not have a formal investment policy that addresses the custodial credit risk, interest rate risk, or credit risk.

State law allows income from deposits and investments to be credited to either the General Fund of the fund making the investment. The Town's policy is to credit all income from deposits and investments to the fund making the investment.

Under the modified cash basis of accounting, investments are stated at cost.

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

**NOTE 4 - COMMITMENTS**

The following is a summary of changes in long-term debt commitments for the years ended December 31:

	Beginning Balance <u>12/31/17</u>	<u>Additions</u>	<u>Payments</u>	Ending Balance <u>12/31/18</u>	
USDA SRF Loan	\$ 1,088,586	\$ -	\$ (50,955)	\$ 1,037,631	
	Beginning Balance <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	Ending Balance <u>12/31/19</u>	Due in One Year
USDA SRF Loan	\$ 1,037,631	\$ -	\$ (92,540)	\$ 945,091	\$ 29,274

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 4 - COMMITMENTS (CONTINUED)**

The Town has a USDA SRF loan for water system infrastructure. The loan matures in 2044. Interest is accrued at a rate of 2.25%. Interest expense for the years ended December 31, 2018 and 2019 was \$24,275 and \$22,753, respectively. This debt is paid by the Water Fund. This debt agreement requires the Town to assess a water surcharge for all customers and maintain a debt coverage ratio of 1. The Town complied with both provisions for the years ended December 31, 2018 and 2019.

Pledged Revenues

The Town has pledged customer surcharges of the Water Fund for the retirement of its loan listed in the table above. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future revenue pledged. Below is a comparison of principal and interest payments and total pledged revenue for the years ended December 31:

	2018	2019
Current Year Principal and Interest	\$ 50,293	\$ 50,293
Pledged Revenue:		
Water Fund Surcharge	\$ 74,940	\$ 73,514

The annual requirements to amortize all debt outstanding as of December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 29,274	\$ 21,019	\$ 50,293
2021	29,938	20,354	50,292
2022	30,618	19,675	50,293
2023	31,313	18,980	50,293
2024	32,023	18,270	50,293
2025 - 2029	171,350	80,115	251,465
2030 - 2034	191,695	59,772	251,467
2035 - 2039	214,450	37,285	251,735
2040 - 2044	214,430	11,629	226,059
	\$ 945,091	\$ 287,099	\$ 1,232,190

**NOTE 5 - PENSION PLAN**

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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 5 - PENSION PLAN (CONTINUED)**

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 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 hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the cost-of-living adjustment.



**Town of Buffalo, South Dakota  
Notes to the Financial Statements  
December 31, 2018 and 2019**

---

**NOTE 5 - PENSION PLAN (CONTINUED)**

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 Town's share of contributions to the SDRS for the calendar years ended December 31, 2019, 2018, 2017, and 2016 were \$6,391, \$6,569, \$5,941, and \$6,873 respectively, and were equal to the required contributions each year.

Pension Assets and Pension Expense.

At June 30, 2019, SDRS was 100.09% funded and accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Town as of the measurement periods ending June 30, 2019 and 2018 and reported by the Town as of December 31, 2019 and 2018 are as follows:

	2018	2019
Proportionate Share of Total Pension Liability	\$ 616,012	\$ 637,803
Less: Proportionate Share of Net Position Restricted for Pension Benefits	616,130	638,345
Proportionate Share of Net Pension Liability (Asset)	\$ (118)	\$ (542)

The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the Town's proportion was 0.0051179%, which is an increase of 0.0000824% from its proportion measured as of June 30, 2018. At June 30, 2018, the Town's proportion was 0.0050355%, which is a decrease of 0.0000225% from its proportion measured as of June 30, 2017.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%	
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service	
Discount Rate	6.50% net of plan investment expense	
Future COLAs	1.88%	

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white color rates for females, and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

**NOTE 5 - PENSION PLAN (CONTINUED)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Town's Proportionate Share of Net Pension Liability (Asset) 2018	\$ 88,700	\$ (118)	\$ (72,365)
Town's Proportionate Share of Net Pension Liability (Asset) 2019	\$ 90,021	\$ (542)	\$ (74,335)

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 5 - PENSION PLAN (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 6 - RISK ASSESSMENT**

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

Unemployment Benefits

The Town has coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by State law and managed by the State of South Dakota. During the years ended December 31, 2018 and 2019, no claims were paid for unemployment benefits. At December 31, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Health Insurance

The Town does not provide a group health insurance plan for Town employees. Each employee is responsible to obtain individual health insurance.

Liability Insurance

The Town joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The Town'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 Town. The Town pays an annual premium, to provide liability coverage detailed below, under a claims-made policy, and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Town pays an annual premium to the pool to provide coverage for general liability, officials' liability, automobile liability and damage, property damage and law enforcement liability, and various other coverages.

The agreement with the SDPAA provides that the above coverage will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit.

Effective January 1, 2018, the SDPA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 6 - RISK ASSESSMENT (CONTINUED)**

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

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

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

The amount available for refund to the Town is not reflected in the financial statements due to the modified cash basis method of reporting.

As of December 31, 2019, the Town's balance available to be refunded per the SDPAA was \$19,964. The Town 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.

Worker's Compensation:

The Town joined the South Dakota Municipal League Worker's Compensation Fund (the Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Town'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 Town pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Town 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.

**NOTE 7 - RESTRICTED ASSETS**

The Town is obligated for customer deposits in the Water Fund in the amount of \$7,287 and \$7,306 for the years ended December 31, 2018 and 2019, respectively.

**Town of Buffalo, South Dakota**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2019**

---

**NOTE 8 - RESTRICTED NET POSITION**

The following table shows restricted net position and the purpose for such restrictions as shown in the statement of net position - modified cash basis as of December 31, 2018 and 2019.

<u>Purpose</u>	<u>Restricted By</u>	<u>2018 Amount</u>	<u>2019 Amount</u>
Major Purposes:			
Debt Service	Debt Covenants	\$ 75,121	\$ 33,342
Customer Deposits	State Law	7,306	7,287
		<u>\$ 82,427</u>	<u>\$ 40,629</u>

**NOTE 9 - INTERFUND TRANSFERS**

Interfund transfers for the years ended December 31 were as follows:

<u>2018</u>		
<u>Transfer From:</u>	<u>Transfer To:</u>	
	<u>Sanitation Fund</u>	<u>General Fund</u>
General Fund	\$ 5,000	
Liquor Fund		\$ 9,417
<u>2019</u>		
<u>Transfer From:</u>	<u>Transfer To:</u>	
	<u>Sanitation Fund</u>	
General Fund	\$ 5,000	

All transfers were made to subsidize fund operations.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

The Town does contract with board members for services on occasion. The Town limits annual payments for services to board members or their businesses to \$5,000.

**NOTE 11 - LANDFILL**

The Town operates a municipal solid waste transfer station and restricted use solid waste facility. This facility accepts very specific waste from the public. The Town has a current permit for the limited waste facility. State and EPA regulations do not require the accumulation of assets for remediation of this type of waste facility. Refuse collected at the transfer station is taken to the Northwest South Dakota Regional Landfill (NSDRL).

**NOTE 12 - LEASES**

The Town has a municipal bar that is leased to a third party to operate. The Lease requires monthly payments of \$500 and renews annually. The current lessee has an agreement for the operation of the bar through December 31, 2020. Future expected payments for the lease are \$6,000 during the year ended December 31, 2020.

**Town of Buffalo, South Dakota  
Notes to the Financial Statements  
December 31, 2018 and 2019**

---

**NOTE 13 - VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS**

The Town is prohibited by statute from spending in excess of appropriated amounts at the department level. The following tables represent significant overdrafts of expenditures compared to appropriations:

General Fund	Year Ended December 31, 2018
Public Works:	
Highways and Streets	\$ (7,131)
Recreation	(4,006)

General Fund	Year Ended December 31, 2019
General Government:	
Legislative	\$ (12,938)
Financial Administration	(1,738)
Other	(4,196)
Recreation	(12,190)

The Town Board will revise budgets as activities change during the year. In addition, the implementation of a new accounting system will allow management to better monitor budgets throughout the year.

**NOTE 14 - SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from state and local authorities requiring a forced closure of schools, businesses, and other facilities and organizations. The extent of the impact of COVID-19 on the Town's operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Town's customers, employees, and vendors all of which are uncertain and cannot be predicted. The financial impact cannot be estimated at this time.

The Town has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Town of Buffalo, South Dakota**  
**Budgetary Comparison Schedule - Budgetary Basis - General Fund**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Basis - Actual</u>	<u>(Negative)</u>
			<u>Amounts</u>	<u>Variance</u>
<b>RECEIPTS</b>				
Taxes:				
General Property Taxes	\$ 113,635	\$ 113,635	\$ 115,521	\$ 1,886
General Sales and Use Taxes	90,815	90,815	195,841	105,026
Licenses and Permits	44,000	44,000	5,778	(38,222)
Intergovernmental Receipts:				
State Shared Revenue	5,360	5,360	43,080	37,720
County Wheel Tax	-	-	594	594
Charges for Goods and Services:				
General Government	3,500	3,500	5,468	1,968
Fines and Forfeits:				
Court Fines and Costs	-	-	34	34
Miscellaneous Revenue:				
Investment Earnings	3,000	3,000	9,840	6,840
Rentals	-	-	1,003	1,003
Operating Agreement	-	-	6,519	6,519
<b>TOTAL RECEIPTS</b>	<u>260,310</u>	<u>260,310</u>	<u>383,678</u>	<u>123,368</u>

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



	Budgeted Amounts		Budgetary Basis - Actual Amounts	Positive (Negative) Variance
	Original	Final		
<b>DISBURSEMENTS</b>				
General Government:				
Legislative	9,915	7,415	6,203	1,212
Executive	16,750	-	-	-
Elections	1,000	-	-	-
Financial Administration	61,070	75,820	75,779	41
Other	20,625	20,625	20,521	104
Public Safety:				
Police	46,300	40,300	40,833	(533)
Protective Inspection	6,700	6,700	5,446	1,254
Public Works:				
Highways and Streets	66,190	77,690	84,821	(7,131)
Health and Welfare:				
Health	4,300	4,300	4,018	282
Culture and Recreation:				
Recreation	2,300	12,300	16,306	(4,006)
Parks	22,460	12,460	11,881	579
Museum	1,800	1,800	1,665	135
Other Miscellaneous	900	900	890	10
<b>TOTAL DISBURSEMENTS</b>	<u>260,310</u>	<u>260,310</u>	<u>268,363</u>	<u>(8,053)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	4,417	4,417
<b>NET CHANGE IN FUND BALANCE</b>	-	-	119,732	119,732
<b>FUND BALANCE - BEGINNING</b>	<u>866,450</u>	<u>866,450</u>	<u>866,450</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 866,450</u>	<u>\$ 866,450</u>	<u>\$ 986,182</u>	<u>\$ 119,732</u>

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

**Town of Buffalo, South Dakota**  
**Budgetary Comparison Schedule - Budgetary Basis - General Fund**  
**For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Budgetary Basis - Actual Amounts</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes:				
General Property Taxes	\$ 117,000	\$ 117,000	\$ 114,838	\$ (2,162)
General Sales and Use Taxes	163,240	163,240	208,632	45,392
Licenses and Permits	38,000	38,000	4,236	(33,764)
Intergovernmental Receipts:				
State Shared Revenue	5,700	5,700	37,714	32,014
County Wheel Tax	-	-	1,898	1,898
Charges for Goods and Services:				
General Government	7,000	7,000	8,697	1,697
Fines and Forfeits:				
Court Fines and Costs	-	-	64	64
Miscellaneous Revenue:				
Investment Earnings	5,700	5,700	15,349	9,649
Rentals	3,000	3,000	4,910	1,910
Operating Agreement	-	-	6,814	6,814
Other	-	-	994	994
<b>TOTAL RECEIPTS</b>	<u>339,640</u>	<u>339,640</u>	<u>404,146</u>	<u>64,506</u>

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

	Budgeted Amounts		Budgetary Basis - Actual Amounts	Positive (Negative) Variance
	Original	Final		
<b>DISBURSEMENTS</b>				
General Government:				
Legislative	11,850	11,850	24,788	(12,938)
Executive	4,450	-	-	-
Elections	1,050	-	-	-
Financial Administration	72,220	72,220	73,958	(1,738)
Other	20,650	20,650	24,846	(4,196)
Public Safety:				
Police	43,300	43,300	43,250	50
Protective Inspection	6,750	6,750	5,459	1,291
Public Works:				
Highways and Streets	320,140	320,140	282,368	37,772
Health and Welfare:				
Health	4,700	4,700	3,932	768
Culture and Recreation:				
Recreation	42,650	42,650	54,840	(12,190)
Parks	23,980	13,980	11,792	2,188
Museum	2,500	2,500	2,119	381
Other Miscellaneous	900	900	800	100
<b>TOTAL DISBURSEMENTS</b>	<u>555,140</u>	<u>539,640</u>	<u>528,152</u>	<u>11,488</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	-	-	1,917	1,917
Transfers Out	-	-	(5,000)	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(3,083)</u>	<u>(3,083)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(215,500)	(200,000)	(127,089)	72,911
<b>FUND BALANCE - BEGINNING</b>	<u>986,182</u>	<u>986,182</u>	<u>986,182</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 770,682</u>	<u>\$ 786,182</u>	<u>\$ 859,093</u>	<u>\$ 72,911</u>

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

**Town of Buffalo, South Dakota**  
**Schedule of Net Pension Liability (Asset)**  
**For the Years Ended December 31**

---

	Town's Proportion of the Net Pension Liability (Asset)	Town's Proportionate Share of Net Pension Liability (Asset)	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2019	0.0051179%	\$ (542)	\$ 108,817	0.50%	100.09%
2018	0.0050355%	(118)	154,194	0.08%	100.02%
2017	0.0052605%	(477)	114,550	0.42%	100.10%
2016	0.0066693%	22,528	151,383	14.88%	96.89%
2015	0.0082853%	(35,140)	143,350	24.51%	104.10%

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

**Town of Buffalo, South Dakota  
Schedule of Pension Contributions  
For the Years Ended December 31**

---

	Contractually- required Contribution	Contributions in Relation to the Contractually- required Contribution	Contribution Deficiency (Excess)	Town's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 6,391	\$ 6,391	\$ -	\$ 106,521	6.0%
2018	6,569	6,569	-	109,477	6.0%
2017	5,941	5,941	-	99,017	6.0%
2016	6,873	6,873	-	114,550	6.0%
2015	9,083	9,083	-	151,383	6.0%

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

**Town of Buffalo, South Dakota**  
**Notes to the Supplementary Information**  
**For the Years Ended December 31, 2018 and 2019**

---

**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the modified cash basis of accounting and present capital outlay and debt service expenditures within each department rather than as separate functions similar to the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

The Town follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. At the regular Board meeting in September each year, the governing Board introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the Board of Trustees, the operating budget is legally binding, and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total municipal budget and may be transferred by resolution of the Board of Trustees 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 Board of Trustees. The Town did not encumber any amounts at December 31, 2019.

The budget for the General Fund is adopted on a basis consistent with that which is presented in the financial statements.

**NOTE 3 - PENSION CONTRIBUTIONS**

Changes in Benefit Terms

No significant changes.

Changes in 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 Fair Value Funded Ratio (FVFR) is less than 100% (assuming the long-term COLA is equal to the baseline COLA assumption, which is currently 2.25%), the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in the FVFR being equal to or exceeding 100%. This condition existed as of both June 30, 2018 and June 30, 2019. Future COLAs are assumed to be equal to the current restricted maximum COLA, which was 2.03% as of June 30, 2018 and 1.88% as of June 30, 2019.

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

Actuarial assumptions are reviewed in-depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Town of Buffalo, South Dakota  
Town Officials  
December 31, 2018 and 2019**

---

BOARD OF TRUSTEES

Gary Johnson - President

Randy Lyons

Shaine Odell

Traci Routier

Jeremy Humbracht

Brandon Hunsucker

FINANCE OFFICER

Diane Haivala (2018 and 2019)

Deb Johnson (2019)

See independent auditor's report.