

CITY OF MILLER
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2019 AND 2018

**CITY OF MILLER
CITY OFFICIALS
DECEMBER 31, 2019**

Mayor:

Ronald Blachford

Governing Board:

Anthony Rangel
Bob Steers
SuAnne Meyer
Jeff Swartz
Joe Zeller
Jim Odegaard

Finance Officer:

Sheila Coss

Attorney:

Riter, Rogers, Wattier & Northrup, LLP

CITY OF MILLER

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CITY OF MILLER

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

City Council
City of Miller
Miller, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 2019, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2020, which was adverse for the discretely presented component unit because there were no audited modified cash basis of accounting financial statements available for the component unit in 2018 or 2019 and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2019-001, #2019-002, #2019-003, and #2019-004, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2019-001.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

August 20, 2020

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

City Council
City of Miller
Miller, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Miller, South Dakota (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the biennial period ended December 31, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Miller complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2019-001 that we consider to be a material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Kohlman, Bierschbach & Anderson, LLP

August 20, 2020

CITY OF

MILLER

South Dakota

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The City of Miller is an equal opportunity employer.

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019 AND 2018**

PRIOR FEDERAL AUDIT FINDINGS:

#2017-001

Initial Fiscal Year Finding Occurred: 2017

The City has no written policies relative to federal awards.

Corrective Action Plan: Ongoing. This finding has not been corrected and is restated as current federal audit finding #2019-001. The reason for the recurrence is the City is still in the process of implementing a policy regarding being in compliance with federal awards.

PRIOR OTHER AUDIT FINDINGS:

#2017-002

Initial Fiscal Year Finding Occurred: Unknown

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

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2019-002. The reason for the recurrence is a lack of financial resources available to have the additional staff needed to adequately segregate duties.

#2017-003

Initial Fiscal Year Finding Occurred: 2011

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2019-003. The reason for the recurrence is a lack of financial resources available to provide an internal control structure to prepare the financial statements.

#2017-004

Initial Fiscal Year Finding Occurred: 2011

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

Status: Ongoing. This comment has not been corrected and is restated as current other audit finding #2019-004. The reason for the recurrence is the lack of financial resources available to provide an internal control structure to record all necessary adjustments.

#2017-005

Initial Fiscal Year Finding Occurred: 2013

The City fell short of the surcharge collection by \$112,875 in 2016 and \$117,378 in 2017 in the Electric Fund.

Status: This finding has been resolved.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019 AND 2018

Summary of the Independent Auditors' Results:

Financial Statements:

- a. An adverse opinion on the financial statements of the discretely presented component unit opinion unit was issued because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings #2019-001, #2019-002, #2019-003, and #2019-004.
- c. Our audit did disclose an instance of noncompliance which was material to the financial statements. This is described in finding #2019-001.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of written policies regarding federal awards affecting the Cost Principles compliance requirement category as discussed in finding #2019-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed an audit finding that is required to be reported in accordance with 2 CFR 200.516(a). See finding #2019-001.
- g. The federal award tested as a major program was:
 1. Water and Waste Disposal Systems for Rural Communities CFDA #10.760.
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. City of Miller did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2019-001

Major Federal Program

Department of Agriculture
CFDA #10.760
Water and Waste Disposal Systems for Rural Communities

Criteria

2 CFR 200, Subparts D and E require written policies relative to federal awards to ensure compliance with federal statutes, regulations and terms and conditions of the federal awards.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019 AND 2018
(Continued)

Condition Found

The City has no written policies relative to federal awards.

Questioned Costs

None noted.

Cause

The City has not adopted any written policies relative to federal awards to be in compliance with 2 CFR 200, Subparts D and E

Effect

By not having policies in place the City has weaker controls to ensure that federal awards are being properly used, and they are not in compliance with 2 CFR 200, Subparts D and E.

Identification as a Repeat Finding

Yes, the finding is a restatement of #2017-001.

Recommendation

We recommend the City adopt a written policy relative to federal awards.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Federal Compliance-Related Audit Findings:

Finding #2019-001

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more detail on the comment.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2019-002

Criteria

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

Condition Found

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

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019 AND 2018
(Continued)

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Finding #2019-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The City was not able to prepare the annual financial statements, so they requested assistance to ensure they were properly prepared.

Effect

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

Recommendation

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

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019 AND 2018
(Continued)

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Finding #2019-004

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

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

Cause

The City had some adjustments that needed to be made in order to get their accounting records in accordance with other comprehensive basis of accounting modified cash basis that were not properly made.

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Compliance and Other Matters:

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

Closing Conference

The contents of this report were discussed with Ron Blachford and Sheila Coss on June 1, 2020.

CITY OF

MILLER

South Dakota

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The City of Miller is an equal opportunity employer.

**CORRECTIVE ACTION PLANS
DECEMBER 31, 2019 AND 2018**

City of Miller submits the following corrective action plans for the two years ended December 31, 2019.

Corrective Action Plan #2019-001

Condition: The City has no written policies relative to federal awards.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: We are in the process of implementing a policy regarding being in compliance with federal awards.

Anticipated completion date: December 31, 2020

Corrective Action Plan #2019-002

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

Responsible official: Ron Blachford, Mayor

Planned corrective actions: This comment is a result of the size of the City of Miller which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash and equity. The City of Miller is aware of the problem and is attempting to provide compensating controls by having the mayor review the financial statements and bank statements monthly to reduce risks. However, the lack of segregation of duties regarding revenues, cash, and equity continues to exist.

Anticipated completion date: Ongoing

Corrective Action Plan #2019-003

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City prefers to have an auditing firm do the financial reports, which are reviewed by the council, mayor and finance officer.

Anticipated completion date: Ongoing

**CORRECTIVE ACTION PLANS
DECEMBER 31, 2019 AND 2018
(Continued)**

Corrective Action Plan #2019-004

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

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City accepts the risk of deficiency. The Council will attempt to be more accurate with account classifications in future transactions.

Anticipated completion date: Ongoing

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CERTIFIED PUBLIC ACCOUNTANTS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Miller
Miller, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 2019, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's 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.c.; 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 responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported for the year ended December 31, 2019, as \$917,159, \$47,980, \$869,179, \$252,062, and \$212,546 and for the year ended December 31, 2018, as \$874,775, \$45,112, \$829,663, \$230,406, and \$224,063.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Miller, South Dakota, as of December 31, 2019, or the changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2019, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. 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 this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of Expenditures of Federal Awards which is required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Changes in Long-Term Debt and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) listed in the Table of

Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

August 20, 2020

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2019

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 995,389	\$2,290,980	\$3,286,369
Investments	--	359,077	359,077
Restricted Assets:			
Cash and cash equivalents	<u>7,000</u>	<u>803,533</u>	<u>810,533</u>
TOTAL ASSETS	<u>\$1,002,389</u>	<u>\$3,453,590</u>	<u>\$4,455,979</u>
NET POSITION:			
Restricted for:			
Debt Service purposes	\$ --	\$ 803,533	\$ 803,533
Other purposes	35,650	--	35,650
Unrestricted	<u>966,739</u>	<u>2,650,057</u>	<u>3,616,796</u>
TOTAL NET POSITION	<u>\$1,002,389</u>	<u>\$3,453,590</u>	<u>\$4,455,979</u>

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 142,545	\$ 30,804	\$ --	\$ --	\$ (111,741)		\$ (111,741)
Public safety	386,227	458	3,378	--	(382,391)		(382,391)
Public works	549,798	17,496	93,560	54,004	(384,738)		(384,738)
Health and welfare	2,000	--	10,711	--	8,711		8,711
Culture and recreation	107,414	15,987	--	7,000	(84,427)		(84,427)
Conservation and development	138,753	--	--	--	(138,753)		(138,753)
Miscellaneous	--	3,826	--	--	3,826		3,826
Total Governmental Activities	<u>1,326,737</u>	<u>68,571</u>	<u>107,649</u>	<u>61,004</u>	<u>(1,089,513)</u>		<u>(1,089,513)</u>
Business-Type Activities:							
Water	1,705,563	558,800	--	529,813		\$ (616,950)	(616,950)
Sewer	2,783,547	513,302	--	1,030,984		(1,239,261)	(1,239,261)
Electric	<u>6,240,010</u>	<u>2,187,602</u>	<u>--</u>	<u>--</u>		<u>(4,052,408)</u>	<u>(4,052,408)</u>
Total Business-Type Activities	<u>10,729,120</u>	<u>3,259,704</u>	<u>--</u>	<u>1,560,797</u>		<u>(5,908,619)</u>	<u>(5,908,619)</u>
Total Primary Government	<u>\$12,055,857</u>	<u>\$3,328,275</u>	<u>\$107,649</u>	<u>\$1,621,801</u>	<u>(1,089,513)</u>	<u>(5,908,619)</u>	<u>(6,998,132)</u>
General Revenues:							
Taxes:							
Property taxes					405,663	--	405,663
Sales taxes					827,208	--	827,208
State shared revenues					13,044	--	13,044
Grants and contributions not restricted to specific programs					2,212	--	2,212
Unrestricted investment earnings					1,324	68,562	69,886
Debt issued					--	1,915,993	1,915,993
Miscellaneous revenue					<u>27,917</u>	<u>206,674</u>	<u>234,591</u>
Total General Revenues					<u>1,277,368</u>	<u>2,191,229</u>	<u>3,468,597</u>
Change in Net Position					187,855	(3,717,390)	(3,529,535)
Net Position - Beginning					<u>814,534</u>	<u>7,170,980</u>	<u>7,985,514</u>
Net Position - Ending					<u>\$ 1,002,389</u>	<u>\$ 3,453,590</u>	<u>\$ 4,455,979</u>

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 187,569	\$ 28,295	\$ --	\$ --	\$ (159,274)		\$ (159,274)
Public safety	437,501	2,639	5,170	--	(429,692)		(429,692)
Public works	344,507	10,706	92,945	--	(240,856)		(240,856)
Health and welfare	2,000	75	3,055	--	1,130		1,130
Culture and recreation	103,760	19,294	--	--	(84,466)		(84,466)
Conservation and development	145,642	--	--	--	(145,642)		(145,642)
Miscellaneous	--	4,902	--	--	4,902		4,902
Total Governmental Activities	1,220,979	65,911	101,170	--	(1,053,898)		(1,053,898)
Business-Type Activities:							
Water	2,026,100	578,760	--	597,649		\$ (849,691)	(849,691)
Sewer	2,600,407	478,181	--	542,052		(1,580,174)	(1,580,174)
Electric	3,348,833	2,139,462	--	3,000		(1,206,371)	(1,206,371)
Total Business-Type Activities	7,975,340	3,196,403	--	1,142,701		(3,636,236)	(3,636,236)
Total Primary Government	\$9,196,319	\$3,262,314	\$101,170	\$1,142,701	(1,053,898)	(3,636,236)	(4,690,134)
General Revenues:							
Taxes:							
Property taxes					384,099	--	384,099
Sales taxes					790,169	--	790,169
State shared revenues					12,051	--	12,051
Grants and contributions not restricted to specific programs					2,885	--	2,885
Unrestricted investment earnings					1,121	62,680	63,801
Debt issued					--	7,447,967	7,447,967
Miscellaneous revenue					32,807	198,474	231,281
Total General Revenues					1,223,132	7,709,121	8,932,253
Change in Net Position					169,234	4,072,885	4,242,119
Net Position - Beginning					645,300	3,098,095	3,743,395
Net Position - Ending					\$ 814,534	\$ 7,170,980	\$ 7,985,514

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

CITY OF MILLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$969,522	\$(2,783)	\$28,650	\$ 995,389
Restricted cash and cash equivalents	<u>7,000</u>	<u>--</u>	<u>--</u>	<u>7,000</u>
TOTAL ASSETS	<u>\$976,522</u>	<u>\$(2,783)</u>	<u>\$28,650</u>	<u>\$1,002,389</u>
FUND BALANCES:				
Restricted	\$ 7,000	\$ --	\$28,650	\$ 35,650
Assigned	42,500	--	--	42,500
Unassigned	<u>927,022</u>	<u>(2,783)</u>	<u>--</u>	<u>924,239</u>
TOTAL FUND BALANCES	<u>\$976,522</u>	<u>\$(2,783)</u>	<u>\$28,650</u>	<u>\$1,002,389</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes:				
General property taxes	\$ 403,553	\$ --	\$ --	\$ 403,553
General sales and use taxes	788,433	--	38,775	827,208
Tax deed revenue	658	--	--	658
Penalties and interest on delinquent taxes	1,452	--	--	1,452
Licenses and Permits	11,996	--	--	11,996
Intergovernmental Revenue:				
Federal grants	7,293	50,089	--	57,382
State grants	7,928	2,783	--	10,711
State shared revenue:				
Bank franchise tax	3,340	--	--	3,340
Prorate license fees	7,673	--	--	7,673
Liquor tax reversion (25%)	9,704	--	--	9,704
Motor vehicle licenses	32,046	--	--	32,046
Local government highway and bridge fund	49,518	--	--	49,518
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	3,184	--	--	3,184
Charges for Goods and Services:				
General government	177	--	--	177
Public safety	360	--	--	360
Highways and streets	17,296	--	--	17,296
Sanitation	200	--	--	200
Culture and recreation	15,987	--	--	15,987
Other	3,826	--	--	3,826
Fines and Forfeits:				
Court fines and costs	98	--	--	98
Other	87	--	--	87
Miscellaneous Revenue:				
Investment earnings	1,324	--	--	1,324
Rentals	18,544	--	--	18,544
Contributions and donations from private sources	9,212	--	--	9,212
Other	<u>16,603</u>	<u>--</u>	<u>--</u>	<u>16,603</u>
TOTAL REVENUE	<u>1,414,815</u>	<u>52,872</u>	<u>38,775</u>	<u>1,506,462</u>
EXPENDITURES:				
General Government:				
Legislative	35,536	--	--	35,536
Elections	111	--	--	111
Financial administration	57,585	--	--	57,585

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Other	49,313	--	--	49,313
Public Safety:				
Police	358,002	--	--	358,002
Fire	23,683	--	--	23,683
Protective inspection	5,690	--	--	5,690
Public Works:				
Highways and streets	478,788	--	--	478,788
Airport	21,969	55,655	--	77,624
Health and Welfare:				
Other	2,000	--	--	2,000
Culture and Recreation:				
Recreation	66,884	--	--	66,884
Parks	40,530	--	--	40,530
Conservation and Development:				
Urban redevelopment and housing	198	--	--	198
Economic development and assistance	<u>109,038</u>	--	<u>29,517</u>	<u>138,555</u>
TOTAL EXPENDITURES	<u>1,249,327</u>	<u>55,655</u>	<u>29,517</u>	<u>1,334,499</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165,488</u>	<u>(2,783)</u>	<u>9,258</u>	<u>171,963</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	8,130	--	--	8,130
Compensation for loss or damage to capital assets	<u>7,762</u>	--	--	<u>7,762</u>
TOTAL OTHER FINANCING SOURCES	<u>15,892</u>	--	--	<u>15,892</u>
NET CHANGE IN FUND BALANCES	181,380	(2,783)	9,258	187,855
FUND BALANCE - BEGINNING	<u>795,142</u>	--	<u>19,392</u>	<u>814,534</u>
FUND BALANCE - ENDING	<u>\$ 976,522</u>	<u>\$ (2,783)</u>	<u>\$28,650</u>	<u>\$1,002,389</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues:			
Taxes:			
General property taxes	\$ 383,131	\$ --	\$ 383,131
General sales and use taxes	748,195	41,974	790,169
Penalties and interest on delinquent taxes	968	--	968
Licenses and Permits	9,512	--	9,512
Intergovernmental Revenue:			
Federal grants	5,170	--	5,170
State grants	3,055	--	3,055
State shared revenue:			
Bank franchise tax	2,686	--	2,686
Prorate license fees	7,673	--	7,673
Liquor tax reversion (25%)	9,365	--	9,365
Motor vehicle licenses	32,753	--	32,753
Local government highway and bridge fund	48,196	--	48,196
County shared revenue:			
County road tax (25%)	4,323	--	4,323
Other intergovernmental revenues	2,509	--	2,509
Charges for Goods and Services:			
General government	239	--	239
Public safety	2,639	--	2,639
Highways and streets	10,706	--	10,706
Health	75	--	75
Culture and recreation	19,294	--	19,294
Other	4,902	--	4,902
Miscellaneous Revenue:			
Investment earnings	1,121	--	1,121
Rentals	18,544	--	18,544
Contributions and donations from private sources	2,885	--	2,885
Other	<u>22,803</u>	<u>--</u>	<u>22,803</u>
TOTAL REVENUE	<u>1,340,744</u>	<u>41,974</u>	<u>1,382,718</u>
EXPENDITURES:			
General Government:			
Legislative	35,487	--	35,487
Financial administration	71,438	--	71,438
Other	80,644	--	80,644

	General Fund	Other Governmental Fund	Total Governmental Funds
Public Safety:			
Police	402,966	--	402,966
Fire	28,474	--	28,474
Protective inspection	7,334	--	7,334
Public Works:			
Highways and streets	313,731	--	313,731
Airport	30,776	--	30,776
Health and Welfare:			
Other	2,000	--	2,000
Culture and Recreation:			
Recreation	82,676	--	82,676
Parks	21,084	--	21,084
Conservation and Development:			
Urban redevelopment and housing	126	--	126
Economic development and assistance	<u>111,615</u>	<u>33,901</u>	<u>145,516</u>
TOTAL EXPENDITURES	<u>1,188,351</u>	<u>33,901</u>	<u>1,222,252</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>152,393</u>	<u>8,073</u>	<u>160,466</u>
OTHER FINANCING SOURCES:			
Sale of municipal property	7,495	--	7,495
Compensation for loss or damage to capital assets	<u>1,273</u>	<u>--</u>	<u>1,273</u>
TOTAL OTHER FINANCING SOURCES	<u>8,768</u>	<u>--</u>	<u>8,768</u>
NET CHANGE IN FUND BALANCES	161,161	8,073	169,234
FUND BALANCE - BEGINNING	<u>633,981</u>	<u>11,319</u>	<u>645,300</u>
FUND BALANCE - ENDING	<u>\$ 795,142</u>	<u>\$19,392</u>	<u>\$ 814,534</u>

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

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$468,569	\$538,649	\$1,283,762	\$2,290,980
Investments	<u> --</u>	<u> --</u>	<u> 359,077</u>	<u> 359,077</u>
Total Current Assets	<u> 468,569</u>	<u> 538,649</u>	<u> 1,642,839</u>	<u> 2,650,057</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	<u> 58,751</u>	<u> 78,485</u>	<u> 666,297</u>	<u> 803,533</u>
Total Noncurrent Assets	<u> 58,751</u>	<u> 78,485</u>	<u> 666,297</u>	<u> 803,533</u>
TOTAL ASSETS	<u>\$527,320</u>	<u>\$617,134</u>	<u>\$2,309,136</u>	<u>\$3,453,590</u>
NET POSITION:				
Restricted for:				
Revenue bond debt service	\$ 58,751	\$ 78,485	\$ 666,297	\$ 803,533
Unrestricted	<u> 468,569</u>	<u> 538,649</u>	<u> 1,642,839</u>	<u> 2,650,057</u>
TOTAL NET POSITION	<u>\$527,320</u>	<u>\$617,134</u>	<u>\$2,309,136</u>	<u>\$3,453,590</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
OPERATING REVENUE:				
Surcharge as security for debt	\$ 176,493	\$ 297,251	\$ 967,542	\$ 1,441,286
Charges for goods and services	<u>382,307</u>	<u>216,051</u>	<u>1,220,060</u>	<u>1,818,418</u>
TOTAL OPERATING REVENUE	<u>558,800</u>	<u>513,302</u>	<u>2,187,602</u>	<u>3,259,704</u>
OPERATING EXPENSES:				
Personal services	149,081	148,442	341,772	639,295
Other current expense	75,156	60,090	93,098	228,344
Materials (cost of goods sold)	<u>196,870</u>	<u>--</u>	<u>899,228</u>	<u>1,096,098</u>
TOTAL OPERATING EXPENSES	<u>421,107</u>	<u>208,532</u>	<u>1,334,098</u>	<u>1,963,737</u>
OPERATING INCOME	<u>137,693</u>	<u>304,770</u>	<u>853,504</u>	<u>1,295,967</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	529,813	1,030,984	--	1,560,797
Investment earnings	632	1,077	66,853	68,562
Capital assets	(1,104,936)	(2,401,150)	(3,988,072)	(7,494,158)
Debt service (principal)	(106,330)	(87,208)	(305,000)	(498,538)
Interest expense	(73,190)	(86,657)	(612,840)	(772,687)
Sale of municipal property	--	--	350	350
Long-term debt issued	599,315	1,316,678	--	1,915,993
Other	<u>2,696</u>	<u>5,386</u>	<u>198,242</u>	<u>206,324</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(152,000)</u>	<u>(220,890)</u>	<u>(4,640,467)</u>	<u>(5,013,357)</u>
CHANGE IN NET POSITION	(14,307)	83,880	(3,786,963)	(3,717,390)
NET POSITION - BEGINNING	<u>541,627</u>	<u>533,254</u>	<u>6,096,099</u>	<u>7,170,980</u>
NET POSITION - ENDING	<u>\$ 527,320</u>	<u>\$ 617,134</u>	<u>\$ 2,309,136</u>	<u>\$ 3,453,590</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
OPERATING REVENUE:				
Surcharge as security for debt	\$ 162,529	\$ 263,625	\$ 758,667	\$ 1,184,821
Charges for goods and services	<u>416,231</u>	<u>214,556</u>	<u>1,380,795</u>	<u>2,011,582</u>
TOTAL OPERATING REVENUE	<u>578,760</u>	<u>478,181</u>	<u>2,139,462</u>	<u>3,196,403</u>
OPERATING EXPENSES:				
Personal services	138,725	137,036	279,614	555,375
Other current expense	58,301	29,747	97,847	185,895
Materials (cost of goods sold)	<u>194,422</u>	<u>--</u>	<u>965,713</u>	<u>1,160,135</u>
TOTAL OPERATING EXPENSES	<u>391,448</u>	<u>166,783</u>	<u>1,343,174</u>	<u>1,901,405</u>
OPERATING INCOME	<u>187,312</u>	<u>311,398</u>	<u>796,288</u>	<u>1,294,998</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	597,649	542,052	3,000	1,142,701
Investment earnings	534	919	61,227	62,680
Capital assets	(1,344,727)	(2,199,136)	(1,178,834)	(4,722,697)
Debt service (principal)	(235,356)	(178,589)	(250,000)	(663,945)
Interest expense	(54,569)	(55,899)	(576,825)	(687,293)
Sale of municipal property	49	49	396	494
Long-term debt issued	967,653	1,730,314	4,750,000	7,447,967
Other	<u>--</u>	<u>6,350</u>	<u>191,630</u>	<u>197,980</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(68,767)</u>	<u>(153,940)</u>	<u>3,000,594</u>	<u>2,777,887</u>
CHANGE IN NET POSITION	118,545	157,458	3,796,882	4,072,885
NET POSITION - BEGINNING	<u>423,082</u>	<u>375,796</u>	<u>2,299,217</u>	<u>3,098,095</u>
NET POSITION - ENDING	<u>\$ 541,627</u>	<u>\$ 533,254</u>	<u>\$ 6,096,099</u>	<u>\$ 7,170,980</u>

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Reporting Entity:**

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

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

The Housing and Redevelopment Commission of the City of Miller, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Miller Housing and Redevelopment Commission, 105 N. Broadway, Miller, SD 57362.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Gross Receipts Tax Fund - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the City (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is the only nonmajor governmental fund.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

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

Capital Project Fund - To account for financial resources to be used for construction of airport improvements. This is a major fund.

Proprietary Funds:

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

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

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

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

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities (SDCL 9-39-1 and 9-39-26). This 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" revenues and expenditures or expenses 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 USGAAP. Under USGAAP, 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.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

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 as defined below.

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:

In 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 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 statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) 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. The acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

1. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

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.

If the City applied USGAAP, 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. Deposits and Investments:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. Under the modified cash basis of accounting, capital assets arising from cash transactions reported in the government-wide financial statements are accounted for as assets in the Statement of Net Position. 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.

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 City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the City and the related depreciation are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, revenue bonds.

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 City 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 City. The City 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 portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The City has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-Wide Financial Statements:

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

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 do not meet the definition of restricted net position.

Fund Financial Statements:

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

j. Application of Net Position:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - (Continued)

k. Fund Balance Classification Policies and Procedures:

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

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

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

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

A schedule of fund balances is provided as follows:

CITY OF MILLER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted for:				
Liquor, Lodging and Dining Gross				
Receipts Tax	\$ --	\$ --	\$28,650	\$ 28,650
Storm Shelter	7,000	--	--	7,000
Assigned to:				
Capital outlay accumulations	42,500	--	--	42,500
Unassigned	<u>927,022</u>	<u>(2,783)</u>	<u>--</u>	<u>924,239</u>
Total Fund Balances	<u>\$976,522</u>	<u>\$(2,783)</u>	<u>\$28,650</u>	<u>\$1,002,389</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

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

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

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

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	\$298,073	\$298,073

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in certificates of deposit - 17% and SDFIT - 83%.

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.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - (Continued)

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 7,000	For a storm shelter to be built in the park in the General Fund
\$ 58,751	For debt service in the Water Fund
\$ 78,485	For debt service in the Sewer Fund
\$666,297	For debt service in the Electric Fund

NOTE 4 - 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.

NOTE 5 - OPERATING LEASES

The City has an operating lease for a Toshiba copier which is being paid out of the General Fund, Water Fund, Sewer Fund and Electric Fund.

The City paid a total of \$1,688 for the year ended December 31, 2018, and \$1,780 for the year ended December 31, 2019.

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>
2020	\$ 414	\$ 414	\$ 414	\$ 414
2021	414	414	414	414
2022	<u>311</u>	<u>311</u>	<u>310</u>	<u>310</u>
Total	<u>\$1,139</u>	<u>\$1,139</u>	<u>\$1,138</u>	<u>\$1,138</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 - RESTRICTED NET POSITION

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

Major Purposes:

Debt Service Purposes - Water Fund	\$ 58,751
Debt Service Purposes - Sewer Fund	78,485
Debt Service Purposes - Electric Fund	666,297

Other Purposes:

Liquor, Lodging and Dining Gross Receipts Tax Purposes	28,650
Storm Shelter Purposes	<u>7,000</u>

Total Restricted Net Position	<u>\$839,183</u>
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These balances are restricted by the terms of bond agreements, statutory requirements and donor requirements.

NOTE 7 - PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C cement plant retirement fund members.

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - (Continued)

joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

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

<u>Year</u>	<u>Amount</u>
2019	\$56,595
2018	51,020
2017	49,605

Pension Asset and Pension Expense:

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

Proportionate share of total pension liability	\$ 5,243,085
Less proportionate share of net position restricted for pension benefits	<u>(5,247,544)</u>
Proportionate share of net pension asset	<u>\$ (4,459)</u>

The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the City's proportion was .0420719%, which is an increase of .0012764% from its proportion measured as of June 30, 2018.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - (Continued)

Actuarial Assumptions:

The total pension liability 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 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.5% 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 collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100%</u>	

Discount Rate:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - (Continued)

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
City's proportionate share of the net pension liability (asset)	\$740,019	\$(4,459)	\$(611,073)

Pension Plan Fiduciary Net Position:

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

NOTE 8 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 20, 2020, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 10 - RISK MANAGEMENT

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

Employee Health Insurance:

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not include a lifetime maximum payment per person.

The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past year.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - (Continued)

Liability Insurance:

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

Effective January 1, 2018, the SDPAA 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.

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.

As of December 31, 2019, the City has vested balance in the cumulative reserve fund of \$101,383. This amount does not appear in the financial statements because this is a modified cash basis entity.

The City carries a \$0 deductible for the general liability, automobile liability, and fire damage legal liability coverage, a \$2,000 deductible for the law enforcement operations coverage, and a \$0 deductible for the officials' liability coverage.

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.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - (Continued)

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$900,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

During the years ended December 31, 2018 and 2019, no claims for unemployment benefits were paid. At December 31, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Taxes:				
General property taxes	\$ 391,000	\$ 391,000	\$ 403,553	\$ 12,553
General sales and use taxes	750,000	750,000	788,433	38,433
Tax deed revenue	--	--	658	658
Penalties and interest on delinquent taxes	500	500	1,452	952
Licenses and Permits	11,250	11,250	11,996	746
Intergovernmental Revenue:				
Federal grants	--	2,825	7,293	4,468
State grants	--	--	7,928	7,928
State shared revenue:				
Bank franchise tax	3,000	3,000	3,340	340
Prorate license fees	7,000	7,000	7,673	673
Liquor tax reversion (25%)	9,000	9,000	9,704	704
Motor vehicle licenses	30,000	30,000	32,046	2,046
Local government highway and bridge fund	45,000	45,000	49,518	4,518
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,500	2,500	3,184	684
Charges for Goods and Services:				
General government	--	--	177	177
Public safety	1,000	1,000	360	(640)
Highways and streets	7,500	7,500	17,296	9,796
Sanitation	--	--	200	200
Culture and recreation	17,000	17,000	15,987	(1,013)
Other	5,000	5,000	3,826	(1,174)
Fines and Forfeits:				
Court fines and costs	--	--	98	98
Other	--	--	87	87
Miscellaneous Revenue:				
Investment earnings	500	500	1,324	824
Rentals	22,000	22,000	18,544	(3,456)
Contributions and donations from private sources	3,000	3,000	9,212	6,212
Other	<u>15,000</u>	<u>15,000</u>	<u>16,603</u>	<u>1,603</u>
TOTAL REVENUE	<u>1,324,250</u>	<u>1,327,075</u>	<u>1,414,815</u>	<u>87,740</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	47,000	47,000	35,536	11,464
Contingency	25,000	25,000		
Amount transferred		(15,850)		9,150
Elections	2,200	2,200	111	2,089
Financial administration	76,636	76,636	57,585	19,051
Other	53,455	53,455	49,313	4,142
Public Safety:				
Police	370,085	374,058	358,002	16,056
Fire	21,850	23,700	23,683	17
Protective inspection	6,000	6,000	5,690	310
Public Works:				
Highways and streets	405,175	497,175	478,788	18,387
Airport	26,950	26,950	21,969	4,981
Health and Welfare:				
Other	--	2,000	2,000	--
Culture and Recreation:				
Recreation	82,175	82,175	66,884	15,291
Parks	29,050	41,050	40,530	520
Conservation and Development:				
Urban redevelopment and housing	5,150	5,150	198	4,952
Economic development and assistance	<u>112,500</u>	<u>112,500</u>	<u>109,038</u>	<u>3,462</u>
TOTAL EXPENDITURES	<u>1,263,226</u>	<u>1,359,199</u>	<u>1,249,327</u>	<u>109,872</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>61,024</u>	<u>(32,124)</u>	<u>165,488</u>	<u>197,612</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	--	--	8,130	8,130
Compensation for loss or damage to capital assets	<u>--</u>	<u>1,148</u>	<u>7,762</u>	<u>6,614</u>
TOTAL OTHER FINANCING SOURCES	<u>--</u>	<u>1,148</u>	<u>15,892</u>	<u>14,744</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	61,024	(30,976)	181,380	212,356
FUND BALANCE - BEGINNING	<u>795,142</u>	<u>795,142</u>	<u>795,142</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 856,166</u>	<u>\$ 764,166</u>	<u>\$ 976,522</u>	<u>\$212,356</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 381,000	\$ 381,000	\$ 383,131	\$ 2,131
General sales and use taxes	700,000	707,000	748,195	41,195
Penalties and interest on delinquent taxes	500	500	968	468
Licenses and Permits	13,050	13,050	9,512	(3,538)
Intergovernmental Revenue:				
Federal grants	--	3,264	5,170	1,906
State grants	--	--	3,055	3,055
State shared revenue:				
Bank franchise tax	3,000	3,000	2,686	(314)
Prorate license fees	7,000	7,000	7,673	673
Liquor tax reversion (25%)	9,000	9,000	9,365	365
Motor vehicle licenses	27,500	27,500	32,753	5,253
Local government highway and bridge fund	45,000	45,000	48,196	3,196
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,000	2,000	2,509	509
Charges for Goods and Services:				
General government	--	--	239	239
Public safety	1,000	1,000	2,639	1,639
Highways and streets	5,000	5,000	10,706	5,706
Sanitation	250	250	--	(250)
Health	--	--	75	75
Culture and recreation	15,000	15,000	19,294	4,294
Other	5,000	5,000	4,902	(98)
Miscellaneous Revenue:				
Investment earnings	500	500	1,121	621
Rentals	18,000	18,000	18,544	544
Contributions and donations from private sources	4,000	4,000	2,885	(1,115)
Other	13,500	18,500	22,803	4,303
TOTAL REVENUE	<u>1,254,300</u>	<u>1,269,564</u>	<u>1,340,744</u>	<u>71,180</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	29,950	35,450	35,487	(37)
Contingency	25,000	25,000		
Amount transferred		(25,000)		--
Elections	2,200	2,200	--	2,200
Financial administration	88,321	88,321	71,438	16,883
Other	73,755	85,255	80,644	4,611
Public Safety:				
Police	391,223	408,487	402,966	5,521
Fire	25,450	28,450	28,474	(24)
Protective inspection	3,700	8,700	7,334	1,366
Public Works:				
Highways and streets	420,950	420,950	313,731	107,219
Airport	20,350	30,850	30,776	74
Health and Welfare:				
Other	2,000	2,000	2,000	--
Culture and Recreation:				
Recreation	88,375	88,375	82,676	5,699
Parks	26,260	26,260	21,084	5,176
Conservation and Development:				
Urban redevelopment and housing	150	150	126	24
Economic development and assistance	105,000	112,000	111,615	385
Debt Service	<u>17,800</u>	<u>17,800</u>	<u>--</u>	<u>17,800</u>
TOTAL EXPENDITURES	<u>1,320,484</u>	<u>1,355,248</u>	<u>1,188,351</u>	<u>166,897</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(66,184)</u>	<u>(85,684)</u>	<u>152,393</u>	<u>238,077</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	--	--	7,495	7,495
Compensation for loss or damage to capital assets	<u>--</u>	<u>--</u>	<u>1,273</u>	<u>1,273</u>
TOTAL OTHER FINANCING SOURCES	<u>--</u>	<u>--</u>	<u>8,768</u>	<u>8,768</u>
NET CHANGE IN FUND BALANCES	(66,184)	(85,684)	161,161	246,845

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
FUND BALANCE - BEGINNING	<u>633,981</u>	<u>633,981</u>	<u>633,981</u>	--
FUND BALANCE - ENDING	<u>\$ 567,797</u>	<u>\$ 548,297</u>	<u>\$ 795,142</u>	<u>\$246,845</u>

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2019 AND 2018

NOTE 1 - Budgets and Budgetary Accounting

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

The City did not encumber any amounts at either December 31, 2018, or December 31, 2019.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2019 AND 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures 2019	Total Federal Expenditures 2018
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
Water and Waste Disposal Systems for Rural Communities (Note 3)	10.760	N/A	\$ <u>455,793</u>	\$ <u>1,467,910</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>455,793</u>	<u>1,467,910</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Direct Programs:				
Airport Improvement Program	20.106	N/A	54,004	--
Highway Safety Cluster:				
Pass-Through Programs:				
S.D. Department of Public Safety: State and Community Highway Safety	20.600	2019-00-35	<u>3,378</u>	<u>5,171</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>57,382</u>	<u>5,171</u>
U.S. GENERAL SERVICES ADMINISTRATION:				
Pass-Through Programs:				
S.D. Federal Property Agency: Donation of Federal Surplus Personal Property (Note 4)	39.003	None	<u>893</u>	--
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			<u>893</u>	--
GRAND TOTAL			<u>\$514,068</u>	<u>\$1,473,081</u>

NOTE 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the two years ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2019 AND 2018
(CONTINUED)

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: Major Federal Financial Assistance Program

This represents a Major Federal Finance Assistance Program.

NOTE 4: Federal Surplus Property

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

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2019

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2018</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2019</u>
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	<u>\$10,526,396</u>	<u>\$9,363,960</u>	<u>\$1,162,483</u>	<u>\$18,727,873</u>
Total	<u>\$10,526,396</u>	<u>\$9,363,960</u>	<u>\$1,162,483</u>	<u>\$18,727,873</u>

NOTE 1: LONG-TERM DEBT

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

Revenue Bonds:

Series 2009 Rural Development Water Project Revenue Bond, due in monthly installments of \$3,038, including 3.5% interest, maturing November 24, 2049. This debt is serviced by the Water Fund.	\$ 674,631
Drinking Water Revenue Borrower Bond Series 2016, due in quarterly installments of \$18,165, including 3.0% interest, maturing January 15, 2048. This debt will be serviced by the Water Fund.	\$1,380,797
Drinking Water Project Borrower Bond Series 2017, the City is still borrowing on this debt. They are able to borrow up to \$1,099,000. Quarterly installments of \$6,985, including 2.25% interest, maturing November 15, 2049. This debt will be serviced by the Water Fund.	\$ 744,553
Series 2010A Taxable Electric Revenue Bonds, interest rate of 1.5 to 7.875% depending on length to maturity of individual bonds, final maturity is December 1, 2040. The City is eligible for 45% of the interest to be refunded from the IRS. Due to the sequester, the subsidies received for 2018 and 2019 were less than the amount requested. It is anticipated that the City will not receive the full amount of the subsidy for 2020. This debt is serviced by the Electric Fund.	\$6,155,000
Electric Revenue Bond, Series 2018, due in semi-annual installments in various amounts ranging from \$38,807 to \$261,923, including 3.55% interest, with an interest adjustment on December 15, 2025, with final maturity on December 15, 2038. This debt is serviced by the Electric Fund.	\$4,470,000
Sewer Project Revenue Bond Series 2016, due in monthly installments of \$13,365, including 1.875% interest, maturing on October 27, 2056. This debt is serviced by the Sewer Fund.	\$4,137,279

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2019
(Continued)

Sewer Revenue Borrower Bond Series 2017, the City is still borrowing on this debt. They are able to borrow up to \$1,875,000. Quarterly payments of \$10,265, including 2.50% interest, maturing November 15, 2049. This debt is serviced by the Sewer Fund.

\$1,165,613

**SCHEDULE OF SUPPLEMENTARY INFORMATION
CITY OF MILLER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)**

SOUTH DAKOTA RETIREMENT SYSTEM

	Last 5 Fiscal Years*				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0420719%	0.0407955%	0.0379779%	0.0377189%	0.0426344%
City's proportionate share of net pension liability (asset)	\$ (4,459)	\$ (951)	\$ (3,446)	\$127,411	\$(180,825)
City's covered-payroll	\$817,660	\$771,301	\$702,052	\$657,876	\$ 715,316
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.55%)	(0.12%)	(0.49%)	19.37%	(25.28%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%	96.89%	104%

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

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2019 AND 2018

Changes of benefit terms:

No significant changes.

Changes of assumptions:

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

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

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