

2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT CITY OF BROOKINGS, SOUTH DAKOTA

January 1, 2019 – December 31, 2019

Prepared by:
THE CITY FINANCE OFFICE
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BRING YOUR DREAMS.



June 30, 2020

The Honorable Mayor Keith Corbett
Members of the City Council
Citizens of the City of Brookings, South Dakota

We are pleased to submit to you the Annual Financial Report for the City of Brookings, South Dakota, for the fiscal year ending December 31, 2019.

The report was prepared by the City's Finance Department in accordance with U.S. Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City's management. We believe the data, as presented, is accurate and reliable in all material respects and is presented in a manner designed to set forth fairly the financial position and results from operations of the City as measured by the financial activities of its various funds. The disclosures necessary to enable readers to gain an understanding of the City's financial affairs have been included in this report.

Management of the City is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Brookings' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's financial statements have been audited by BKD, LLP, a firm of certified public accountants authorized to conduct the City's audit by the State of South Dakota. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brookings for the fiscal year ended December 31, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City of Brookings' financial statements for the fiscal year ending December 31, 2019 are fairly presented in all material respects in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Brookings' MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Brookings

Brookings is located along the I-29 corridor in east central South Dakota and has a population of around 24,000 residents making it the fourth-largest city in South Dakota. It is 55 miles north of the State's largest city, Sioux Falls, and just minutes from the Minnesota border. It truly is an environment free from the stress of big city living; but for those who want to occasionally visit metropolitan areas, Minneapolis-St. Paul, Fargo/Moorhead, and Omaha are all within a 200-mile radius. Being along the interstate and miles from the Minnesota border, Brookings serves as a primary market area for over 70,000 consumers. Brookings is a city with an extraordinary quality of life and an outstanding school system. Families choose Brookings for its safe, friendly, and progressive environment.



Home to South Dakota State University (SDSU), Brookings boasts prime educational resources for small businesses and entrepreneurs. SDSU had an enrollment just over 11,500 students in 2019, making it the largest university in the state. SDSU offers Division 1-FCS college athletics, performing arts, theater, and a variety of cultural venues. SDSU is an integral part of the community and attracts many research and technology businesses which compliment core curriculum activities. A source of recognized research and innovation, SDSU supplies a young, educated workforce with skill and determination.

The County and the City got their names from one of South Dakota's greatest pioneer promoters, Wilmot W. Brookings. Brookings set out for the Dakota Territory in June of 1857. He rose to a high position in the territory, was elected the first provisional Governor of Dakota Territory, served as a judge, and was appointed superintendent of a road project to be built from the Minnesota state line west to the Missouri River about 30 miles north of Ft. Pierre, South Dakota. It was during the construction of this road that Brookings came into contact with land that was part of this county at the time. In preparation for the railroad, the City of Brookings was surveyed and platted in 1879. Dakota Agricultural College (now South Dakota State University) was founded in 1881. The City began to grow after the college was built and has been increasing in size ever since.

In 1999 the City adopted the Council-Manager form of government. The City is a home-rule municipality chartered under the Constitution of the State of South Dakota and is governed by a mayor and six council members. All council positions are elected at large, for overlapping three year terms.

The City provides a wide range of municipal services including public safety, streets, solid waste collection and disposal, airport, planning, culture and recreation, retail liquor, and general administrative services. In addition, the City has established semi-autonomous enterprise functions, which are governed by appointed boards. They are: Brookings Municipal Utilities (BMU) which manages electric, water, wastewater, and telecommunications/video/data operations; and the municipal Brookings Health System, which includes a 49-bed acute care hospital, home health, hospice, eye clinic, multispecialty clinic operated in partnership with Avera Medical Group, two regional "satellite" clinics, congregate living units, and a 79-bed skilled nursing facility.

The City applies budgetary controls to ensure compliance with legal provisions under South Dakota Codified Laws, the City Charter, the City's Governance and Ends Policy and with the annual appropriation ordinance and budgetary guidelines adopted by the City Council. Approved expenditures for the ensuing fiscal year for the General fund, the Special Revenue funds, Debt Service funds, and Capital Project funds are included in the annual appropriation ordinance, establishing the legal level of control. The annual budget serves as the foundation for the City of Brookings' financial planning and control.

South Dakota Law requires the City of Brookings to adopt an ordinance as prescribed by the Department of Legislative Audit. The ordinance shows the legal level of budgetary control is at the department level within each fund. Departments are not allowed to exceed their total allocated budget or reallocate appropriations outside their department without approval of the governing body. The legal spending authority can only be obtained through contingency funds, capital expenditures carryover, or supplemental budget appropriations ordinance, all of which is approved by formal action of the City Council.

Economic Condition and Outlook

The information presented in these financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City of Brookings operates.

Local Economy

“Bring Your Dreams” is the community’s marketing motto and Brookings is fortunate to have a diverse local economy including SDSU, large and small manufacturing, biosciences, food production and agriculture. This diversity has helped insulate, to some degree, past economic downturns experienced by the national economy.

In addition to the diversity, the City’s population continues to grow. The United States Census Bureau estimates a growth of 10% from the 2010 census and ranked Brookings as the fourth largest city in South Dakota. With the population of around 24,000 the City has attracted various new retail and food establishments.

The labor force increased from 13,560 to 13,809 from December 31, 2018 to December 31, 2019 and the total employment increased from 13,135 to 13,263 individuals for those dates respectively. Unemployment for Brookings was at 4.0%, compared to a national average of 3.5% in 2019.

With South Dakota State University graduating 2,500 students each year and businesses hiring both skilled labor and professional positions, the Brookings region’s workforce is diverse and constantly growing. From machinists to microbiologists, opportunities exist in every field.

During 2019, the city issued 560 building permits, a material increase from the 469 issued in 2018. The estimated construction value of residential and nonresidential construction was \$48.8 million in 2019; up 19% from the \$41.1 million in 2018. Nonresidential construction accounted for 54.6% of the estimated construction value in 2019 compared to 51.6% in 2018.

Long-Term Planning and Major Initiatives

The City of Brookings is committed to providing a high quality of life for its citizens by fostering a diverse economic base, innovative thinking, strategic planning, and proactive, fiscally-responsible municipal government. The City Council meets annually and develops a strategic plan for the City. This plan provides a launchpad for new policy initiatives but also establishes a guide for a long-range capital improvement program. It also sets the direction for the City staff in several operational areas. The current Strategic Plan includes the following:

- A - Operational Initiatives
 - *Stormwater*: prioritization of the stormwater system and investment in existing/future developments to address quantity and quality goals.
 - *Future Development*: protect and secure Brookings identity and sense of community through place making and continuation of existing culture with proper development standards and resilient, sustainable growth.
 - *Existing/New Amenities*: plan for the comprehensive re-development/refurbishment of existing city amenities; identify new amenities.
 - *Affordable Housing*: identify, develop, and implement program/projects to advance the creation and availability of affordable housing for low to moderate income households for rental and owner-occupied units.
 - *Street Infrastructure*: provide for the planning, financing, and construction of East 20th Street South Interchange with I-29.

- B – Commissions, Councils, Committees, and Taskforces
 - *Sustainability Council*: identify and implement initiatives aimed to improve the local environment that meets the needs of present generation without compromising the ability of future generations through economic prosperity, environmental integrity, and social/cultural vibrancy.
 - *Human Rights*: continue to promote the advancement of human rights, inclusivity, and cultural diversity.
 - *Historic Preservation Commission*: continue to advance efforts that support the appreciation, documentation, preservation, and promotion of historic structures.
 - *Public Arts Commission and Art Council*: identify and implement initiatives aimed at advancing the presence and community appreciation of public art.

- C – Partner Agency Initiatives
 - *Economic Development (Research Park, Brookings Economic Development Corporation, Chamber of Commerce initiative):* promote economic expansion of retail, commercial, industrial, and tech-related development of new and existing businesses.
 - *Foster culture of innovation and entrepreneurship (Brookings Economic Development Corporation initiative):* develop a culture of innovation and entrepreneurship that provides a support system network and pipeline of entrepreneurs to help increase small business start-ups.
 - *Workforce Development (Brookings Economic Development Corporation initiative):* connect people with career opportunities by establishing a workforce development and supply system.
 - *Visitor Promotion (Convention and Visitor’s Bureau initiative):* further develop Brookings as a major tourism destination for visitors to benefit local hospitality industry.

Major Initiatives

2019 was a great year for the City of Brookings as a long-range outlook was taken while accomplishing day-to-day activities. The highlighted projects showcase the hard work and dedication of elected officials, staff, and members of advisory boards, commissions, and committees.

Infrastructure:

Street system improvements:

- 22nd Avenue between Minnesota Drive and Eastbrook Drive was completed with concrete pavement. The project was within budget for a total cost of \$2,901,833. The project scope included reconstruction to widen the current roadway for wider driving lanes, replacing underground utilities, traffic signal upgrades, new street lighting, sidewalk and concrete shared-use path.
- 20th Street South between 22nd Avenue and 34th Avenue: It was announced in mid-November that the City of Brookings was awarded a Better Utilizing Investments to Leverage Development (BUILD) Grant in the amount of \$18,677,630 towards the project which has a total estimated cost of \$23,347,037. The project is also funded with \$2,000,000 from the City of Brookings, \$2,000,000 from Brookings County and \$669,407 from private donors. The project will include street construction and an interstate interchange to function as a “southern ring route” to better move commuter traffic around the growing southern region of Brookings. It is an intergovernmental partnership project with several local units of government. The project is under design and anticipated to be bid in the fall of 2021.
- 20th Street South Project: The segment between Main Avenue South and Rio Grand Avenue began construction in 2019 and will be completed in 2020. This project includes full reconstruction to widen the current roadway for wider driving lanes, replacing underground utilities, new street lighting and concrete shared-use path. The bid cost of the project was \$3,241,110.

Storm Drainage - Brookings continues incremental, annual work on a comprehensive multi-year master plan for storm drainage improvements which includes the following projects:

- 15th Street South & 7th Avenue South storm sewer.
- Moriarty Park drainage Improvements.
- 5th Avenue drainage Improvements.
- 6th Street storm sewer upgrade.
- State Avenue Watershed improvement project

Gateway Project - The Gateway Project consists of monumental signage made of stone incorporating the new City logo placed in the City’s “gateway” corridors welcoming visitors to Brookings. There are also signs throughout the City identifying the beautiful parks and recreation areas available for the public to enjoy. Entryway landscape amenities such as landscaping, signage, decorative street lighting, and bridge amenities have been completed in the area of the main interstate exit ramps along 6th Street. Decorative street lighting between Main Avenue and Medary Avenue along 6th Street will be completed in 2020.

Airport Projects – The City continued the reconstruction of the asphalt apron. The project was bid in 2019 with the bid cost of \$2,255,787 and is anticipated to be completed in 2020. The project is eligible for Federal funding through the Airport Improvement Program of the Federal Aviation Administration, with 90% being funded with Federal funds, 5% State funds, and 5% City funds. This project includes new pavement, storm sewer and striping. Brookings has the third busiest airport in the State for landings and take-offs.

Brookings Municipal Utilities (BMU)

The Electric Fund used approximately \$2.6 million of funds for the acquisition and construction of assets in 2019. Work on the Western Avenue Substation was substantially completed and resulted in expenditures of \$767,000 in 2019 with the total multiyear cost of the project being \$2.5 million. The upgrade of the metering system to AMI and the street light system to LED resulted in expenditures of \$219,000 and \$338,000 respectively.

The Telephone Fund used approximately \$1.6 million for the acquisition and construction of capital assets in 2019. Upgrades included the continuing deployment of fiber facility, a variety of electronics and infrastructure improvements, an increase in wireless capacities, and the continued deployment of broadband services.

The Water Fund used approximately \$4.4 million in 2019 for the acquisition and construction of assets. Replacement of the 4th Street water tower began and \$1.6 million was spent in demolition of the old tower and the start of construction of the new tower. Work is expected to be complete in 2020.

The Wastewater Fund used approximately \$526,000 in 2019 in the rehabilitation of mains in the collection system.

Public Works

This year the Snow and Ice Removal Plan was developed to effectively communicate snow removal operations and procedures. A large part of the plan's success is due to the integration efforts of the Street and Parks Departments. This integration has provided a more efficient service to the community.

Public Safety

2019 was the second year of a three-year plan to remodel the current Fire Department South Station located on 32nd Street South into an indoor training facility with room to store the compressed air trailer and the collapse trainer. The basic plan would provide for an interior two-story cold smoke training area with movable walls and could be used for rope rescue and confined space training drills year around.

Health Care

The Health System's new ambulance garage was completed early this year with an estimated total cost of \$1 million.

Cultural and Recreational Facility Improvements

The City completed the replacement of the ice plant and ice system at the Larson Ice Center in 2019. The design-build process was selected to expedite the process and create efficiencies between the city, engineer and contractor. Project was completed within budget with an approximate cost of \$3.7 million.

Moreover, the Bob Shelden Athletic Complex upgrade project started its design and development phase in the second half of 2019. The construction phase of the project was approved in January 2020 with an estimated total cost of \$3.1M excluding the artificial turf which will be funded by the Friends of Baseball Group. Project is expected to be completed in 2020.

Additional improvements were performed at existing parks such as trail extensions, playground equipment upgrades and replacements, and on-going preventative maintenance of existing buildings, grounds, and facilities.

Retail Commercial Expansion

The City continues to partner with private developers to establish a retail and commercial development on the 25 acres of property owned by the City at the intersection of Highway 14 and Interstate 29. The project's local developers are actively recruiting national retail franchises and exploring other options to develop in this location.

Civic Infrastructure

The City of Brookings is proud to partner with a wide variety of other governmental, civic, charitable, and service organizations to optimize multi-dimensional aspects for great quality of life:

- The City and County work together on mutual transportation and development issues.
- The City and School District jointly share facilities, parks, playgrounds, and programming for school-age children.
- The City Recreation Department has a number of diverse partnerships with other entities or special-purpose organizations for athletic, cultural, recreational, and leisure opportunities.
- The City library provides a wide variety of services and programs for lifelong learning.
- The City and South Dakota State University enjoy an excellent ‘town-and-gown’ relationship with each mutually supporting their missions and sharing their success that comes from a long history of partnerships. In addition to being an economic engine for the Brookings community, SDSU provides a wellspring of opportunities beyond post-secondary education to civic, cultural, athletic, and research advancement.

For these reasons, and so many others, Brookings has received national recognition in many areas which include:

- Named National Micropolitan Success Story (Walton Family Foundation, 2018)
- Perfect MEI Score – 100, (Municipal Equality Index, HRC.org, 2019)
- #1 Best Places to live in SD (Niche, 2018, 2017, 2016)
- #2 Best School Districts in SD (Niche, 2019, 2018, 2017)
- #2 Safest Cities in SD (Alarms.org, 2018)
- #7 Top 10 Most Arts-Vibrant Small Communities in the U.S. (SMU Data Arts, 2019)
- SDSU was named the Safest College Campus in the State of South Dakota by, Your Local Security: Safest College Campuses in America

Acknowledgments

Preparation of this report could not be accomplished without the efficient and dedicated services of the entire Finance Department staff and with the assistance of the Brookings Health System and Brookings Municipal Utilities. We would like to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Mayor and Council for their unflinching support for maintaining the highest standards of professionalism in the management of the City of Brookings’ finances.

Respectfully submitted,

CITY OF BROOKINGS



Paul Briseno
City Manager



Erick Rangel
Chief Financial Officer

Mayor	Keith Corbett
Deputy Mayor	Patty Bacon
Council Member	Leah Brink
Council Member	Dan Hansen
Council Member	Nick Wendell
Council Member	Ope Niemeyer
Council Member	Holly Tilton Byrne

Leadership Team

City Manager	Paul Briseno	Library Director	Ashia Gustafson
Assistant City Manager	Jacob Meshke	Public Information Officer	Chelsie Bakken
City Attorney	Steven Britzman	Parks, Rec. & Forestry Director	Dusty Rodiek
City Clerk	Bonnie Foster	Liquor Store Manager	Janet Coplan
Chief Financial Officer	Erick Rangel	Police Chief	Dave Erickson
City Engineer	Jackie Lanning	Solid Waste Director	Todd Langland
Community Dev. Director	Mike Struck	Street Superintendent/ FM	Matt Bartley
Fire Chief	Darrell Hartmann	Health System CEO	Jason R. Merkley
Human Resources Director	Susan Rotert	Utilities EVP & GM	Steve Meyer

2019 City of Brookings Organizational Chart

