

CITY OF FORT PIERRE
AUDIT REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015

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

To the Governing Board
City of Fort Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fort Pierre'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 of Fort Pierre's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Pierre's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Pierre's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "CIO of LLC". The letters are cursive and somewhat stylized.

Chamberlain, South Dakota
October 29, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
City of Fort Pierre, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fort Pierre, South Dakota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 12 to the financial statements, the City of Fort Pierre adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 12 to the financial statements, City of Fort Pierre has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of the Municipality's Contributions (SDRS) on Pages 43-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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.



Chamberlain, South Dakota
October 29, 2016

CITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
Cash and cash equivalents	\$ 276,048	\$ 1,096,738	\$ 1,372,786
Accounts receivable, net	531,457	328,200	859,657
Other receivable	(96,284)	96,284	--
Inventories	34,525	507,095	541,620
Land held for resale	175,023	--	175,023
Restricted assets:			
Investments	--	597,311	597,311
Deposits	29,390	89,162	118,552
Capital assets:			
Land	973,462	163,577	1,137,039
Other capital assets, net of depreciation	14,350,243	12,251,939	26,602,182
Net pension asset	91,324	102,405	193,729
<i>Total Assets</i>	<u>16,365,188</u>	<u>15,232,711</u>	<u>31,597,899</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>173,415</u>	<u>168,643</u>	<u>342,058</u>
LIABILITIES			
Accounts payable and other current liabilities	33,995	288,722	322,717
Noncurrent liabilities:			
Due within one year	445,000	457,000	902,000
Due in more than one year	<u>6,310,868</u>	<u>1,913,261</u>	<u>8,224,129</u>
<i>Total Liabilities</i>	<u>6,789,863</u>	<u>2,658,983</u>	<u>9,448,846</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>134,750</u>	<u>151,101</u>	<u>285,851</u>
NET POSITION			
Net investment in capital assets	8,567,837	10,243,231	18,811,068
Restricted for:			
Capital projects purposes	55,559	339,254	394,813
Debt services	452,359	256,683	709,042
Cemetery	31,927	--	31,927
Inventory	209,548	--	209,548
Park	27,746	--	27,746
SDPPA risk pool	29,390	--	29,390
SDRS pension purposes	129,989	119,949	249,938
Unrestricted	<u>109,635</u>	<u>1,632,154</u>	<u>1,741,789</u>
<i>Total Net Position</i>	<u>\$ 9,613,990</u>	<u>\$ 12,591,271</u>	<u>\$ 22,205,261</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**CITY OF FORT PIERRE, SD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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:							
<i>Governmental Activities:</i>							
General government	\$ 367,418	\$ 99,946	\$ 101,032	\$ --	\$ (166,440)	\$ --	\$ (166,440)
Public safety	404,329	1,336	--	--	(402,993)	--	(402,993)
Public works	1,720,671	115,159	166,267	123,513	(1,315,732)	--	(1,315,732)
Health and welfare	28,253	1,203	--	--	(27,050)	--	(27,050)
Culture and recreation	486,533	34,359	--	--	(452,174)	--	(452,174)
Conservation and development	175,782	--	--	--	(175,782)	--	(175,782)
Interest on long-term debt	316,053	--	--	--	(316,053)	--	(316,053)
Total Governmental Activities	3,499,039	252,003	267,299	123,513	(2,856,224)	--	(2,856,224)
<i>Business-type Activities:</i>							
Water	588,570	560,311	--	30,011	--	1,752	1,752
Electric	2,280,052	2,547,860	--	63,329	--	331,137	331,137
Sewer	538,442	425,184	--	7,757	--	(105,501)	(105,501)
Total Business-Type Activities	3,407,064	3,533,355	--	101,097	--	227,388	227,388
Total Primary Government	\$ 6,906,103	\$ 3,785,358	\$ 267,299	\$ 224,610	(2,856,224)	227,388	(2,628,836)
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					1,165,584	--	1,165,584
Sales tax					1,377,804	--	1,377,804
State shared revenues					14,992	--	14,992
Unrestricted investment earnings					16,372	2,554	18,926
Miscellaneous revenue					132,847	17,695	150,542
Total General Revenues and Transfers					2,707,599	20,249	2,727,848
Change in Net position					(148,625)	247,637	99,012
Net Position-Beginning of Year					9,762,615	12,343,634	22,106,249
<i>Restated (See Note 11)</i>							
Net position-End of Year					\$ 9,613,990	\$ 12,591,271	\$ 22,205,261

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**CITY OF FORT PIERRE, SD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>US COE Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ --	\$ 162,160	\$ 113,888	\$ 276,048
Taxes receivable:				
Delinquent	51,963	--	--	51,963
Accounts receivable	7,665	--	--	7,665
Special assessments receivable				
Current	639	--	--	639
Delinquent	1,985	--	1,431	3,416
Deferred	215,316	--	--	215,316
Due from other governments	241,393	--	11,065	252,458
Due from other funds	--	--	55,250	55,250
Supply inventory	34,525	--	--	34,525
Land held for resale	175,023	--	--	175,023
Restricted investments	353,942	--	--	353,942
Deposits	29,390	--	--	29,390
<i>Total Assets</i>	<u>\$ 1,111,841</u>	<u>\$ 162,160</u>	<u>\$ 181,634</u>	<u>\$ 1,455,635</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 47,549	\$ --	\$ 7,762	\$ 55,311
Accrued wages payable	5,114	--	--	5,114
Due to other funds	55,250	--	--	55,250
Due to electric fund	96,284	--	--	96,284
Unearned revenue	1,985	--	1,431	3,416
<i>Total Liabilities</i>	<u>206,182</u>	<u>--</u>	<u>9,193</u>	<u>215,375</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes	51,963	--	--	51,963
Special Assessments	119,671	--	--	119,671
<i>Total Deferred Inflows of Resources</i>	<u>171,634</u>	<u>--</u>	<u>--</u>	<u>171,634</u>
FUND BALANCES				
Nonspendable	258,874	--	31,927	290,801
Restricted	432,938	162,160	77,167	672,265
Unassigned	42,213	--	63,347	105,560
<i>Total Fund Balances</i>	<u>734,025</u>	<u>162,160</u>	<u>172,441</u>	<u>1,068,626</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,111,841</u>	<u>\$ 162,160</u>	<u>\$ 181,634</u>	<u>\$ 1,455,635</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total Fund Balances - Government Funds	\$ 1,068,626
 Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds	91,324
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,323,705
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds	173,415
Special assessments receivable included on the balance sheet but not included in the statement of net position	(215,316)
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(6,755,868)
Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements.	62,854
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds	<u>(134,750)</u>
Net Position - Governmental Funds	<u><u>\$ 9,613,990</u></u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>US COE Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues:</i>				
Taxes				
General property taxes	\$ 1,021,923	\$ --	\$ 139,025	\$ 1,160,948
General sales taxes	1,269,472	--	108,332	1,377,804
Amusement taxes	444	--	--	444
Penalties and interest	4,192	--	--	4,192
Licenses and permits	47,741	--	--	47,741
Intergovernmental revenue				
Federal grants	148,621	--	--	148,621
State grants	17,646	--	--	17,646
State shared revenues				
Bank franchise tax	2,031	--	--	2,031
Motor vehicle commercial prorate	2,663	--	--	2,663
Liquor tax reversion	12,961	--	--	12,961
Motor vehicles licenses	32,732	--	--	32,732
Local government highway and bridge	34,144	--	--	34,144
County shared revenues	4,444	--	--	4,444
Charges for goods and services				
General government	52,205	--	--	52,205
Highways and streets	38,861	--	--	38,861
Sanitation	2,315	--	--	2,315
Health	1,203	--	--	1,203
Culture and recreation	34,359	--	--	34,359
Economic development	--	--	--	--
Fines and forfeits				
Court fines and costs	1,136	--	--	1,136
Parking fines	200	--	--	200
Miscellaneous revenue				
Investment earnings	16,391	--	(19)	16,372
Special assessments	123,513	--	--	123,513
Contributions	10,000	--	91,032	101,032
Other	104,720	--	--	104,720
Total Revenue	<u>2,983,917</u>	<u>--</u>	<u>338,370</u>	<u>3,322,287</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

	<i>General Fund</i>	<i>US COE Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government:</i>				
Executive	\$ 72,211	\$ --	\$ --	\$ 72,211
Elections	937	--	--	937
Financial administration	247,940	--	--	247,940
Planning and zoning	46,330	--	--	46,330
<i>Public safety:</i>				
Police	293,510	--	--	293,510
Fire	23,124	--	--	23,124
Building inspection	82,964	--	--	82,964
Civil defense	4,731	--	--	4,731
<i>Public works:</i>				
Highways and streets	2,082,688	--	--	2,082,688
Sanitation	44,564	--	--	44,564
Transit	28,000	--	--	28,000
<i>Health and welfare:</i>				
Health	28,253	--	--	28,253
<i>Culture and recreation:</i>				
Recreation	99,897	--	--	99,897
Parks	342,702	--	--	342,702
Library	9,330	--	--	9,330
Expo building	4,711	--	--	4,711
Cultural arts	5,800	--	--	5,800
Museum	24,093	--	--	24,093
<i>Conservation and development:</i>				
Dues and fees	500	--	1,821	2,321
BID board economic development	--	--	89,211	89,211
Economic development and assistance (industrial development)	--	--	84,250	84,250
Debt service	581,044	--	95,000	676,044
<i>Total Expenditures</i>	<u>4,023,329</u>	<u>--</u>	<u>270,282</u>	<u>4,293,611</u>
<i>Excess of Revenues Over (Under)</i>				
Expenditures	<u>(1,039,412)</u>	<u>--</u>	<u>68,088</u>	<u>(971,324)</u>
<i>Other Financing Sources:</i>				
Lease purchase proceeds	137,777	--	--	137,777
Sale of Municipal Property	31,938	--	--	31,938
<i>Total Other Financing Sources</i>	<u>169,715</u>	<u>--</u>	<u>--</u>	<u>169,715</u>
<i>Other Change in Fund Balances:</i>				
Net of change in inventory	(14,480)	--	--	(14,480)
Other fund balance change	10,542	32	--	10,574
<i>Net Change in Fund Balance</i>	<u>(873,635)</u>	<u>32</u>	<u>68,088</u>	<u>(805,515)</u>
<i>FUND BALANCES - Beginning of Year</i>	<u>1,607,660</u>	<u>162,128</u>	<u>104,353</u>	<u>1,874,141</u>
<i>FUND BALANCES - End of Year</i>	<u>\$ 734,025</u>	<u>\$ 162,160</u>	<u>\$ 172,441</u>	<u>\$ 1,068,626</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Government Funds \$ (805,515)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 1,193,509

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (800,672)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. 359,991

Proceeds of long-term debt is reported as revenue in the funds statement, but is an increase in liabilities in the statement of activities. (137,777)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 42,276

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (437)

Change in Net Position of Governmental Activities \$ (148,625)

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sanitary Sewer Fund</i>	<i>Totals</i>
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 186,944	\$ 790,131	\$ 119,663	\$ 1,096,738
Accounts receivable	45,181	220,895	38,614	304,690
Accounts receivable - Surcharge	--	21,518	1,056	22,574
NSF check receivables	--	344	--	344
Due from other government	592	--	--	592
Supply inventory	121,153	377,209	8,733	507,095
Due from other funds	--	96,284	--	96,284
<i>Total Current Assets</i>	<u>353,870</u>	<u>1,506,381</u>	<u>168,066</u>	<u>2,028,317</u>
<i>Noncurrent Assets:</i>				
Restricted cash and cash equivalents	4,000	650,610	31,863	686,473
Capital assets:				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	4,030,120	--	4,781,926
Improvements other than buildings	2,568,035	4,357,741	8,020,863	14,946,639
Machinery and equipment	135,737	524,469	354,686	1,014,892
Accumulated depreciation	(2,047,542)	(3,220,677)	(3,223,300)	(8,491,519)
Net pension asset	19,386	63,325	19,695	102,406
<i>Total Non-Current Assets</i>	<u>1,459,009</u>	<u>6,521,587</u>	<u>5,223,798</u>	<u>13,204,394</u>
<i>Total Assets</i>	<u>1,812,879</u>	<u>8,027,968</u>	<u>5,391,864</u>	<u>15,232,711</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	31,925	104,284	32,434	168,643
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	29,290	156,319	3,674	189,283
Accrued wages	1,978	4,891	1,443	8,312
Customer deposits	4,000	86,535	--	90,535
Unearned revenue	592	--	--	592
Current portion of long term debt	10,213	373,252	73,607	457,072
<i>Total Current Liabilities</i>	<u>46,073</u>	<u>620,997</u>	<u>78,724</u>	<u>745,794</u>
<i>Noncurrent Liabilities:</i>				
Bonds payable:				
Revenue	--	1,208,304	506,908	1,715,212
Accrued leave payable	6,290	20,300	6,290	32,880
Other long-term debt	32,128	100,841	32,128	165,097
<i>Total Non-Current Liabilities</i>	<u>38,418</u>	<u>1,329,445</u>	<u>545,326</u>	<u>1,913,189</u>
<i>Total Liabilities</i>	<u>84,491</u>	<u>1,950,442</u>	<u>624,050</u>	<u>2,658,983</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	28,604	93,437	29,060	151,101
NET POSITION				
Net investment in capital assets	1,425,410	4,226,096	4,591,725	10,243,231
Restricted net position restricted for:				
Debt service	--	208,500	31,863	240,363
Revenue bond service	--	16,320	--	16,320
Facility Replacement	--	339,254	--	339,254
SDRS pension purposes	22,707	74,173	23,069	119,949
Unrestricted net position	283,592	1,224,030	124,532	1,632,154
<i>Total Net Position</i>	<u>\$ 1,731,709</u>	<u>\$ 6,088,373</u>	<u>\$ 4,771,189</u>	<u>\$ 12,591,271</u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>Operating Revenues:</i>				
Charges for goods and services	\$ 560,311	\$ 2,547,860	\$ 425,184	\$ 3,533,355
Total Operating Revenues	560,311	2,547,860	425,184	3,533,355
<i>Operating Expenses:</i>				
Personal services	168,833	423,408	148,107	740,348
Other current expense	111,416	207,013	106,232	424,661
Materials	215,711	1,381,781	--	1,597,492
Depreciation	92,610	206,470	262,460	561,540
Total Operating Expenses	588,570	2,218,672	516,799	3,324,041
Operating Income (Loss)	(28,259)	329,188	(91,615)	209,314
<i>Nonoperating Revenues:</i>				
Investment income	--	2,554	--	2,554
Special assessment	281	--	--	281
Miscellaneous non-operating revenue	151	(1,018)	833	(34)
Interest expense	--	(61,380)	(21,643)	(83,023)
Bad debt	(260)	(2,028)	(225)	(2,513)
Gain/Loss on sale of fixed assets	--	19,191	769	19,960
Total Nonoperating Revenue	172	(42,681)	(20,266)	(62,775)
Net Income (Loss) Before Transfers	(28,087)	286,507	(111,881)	146,539
Capital contributions	30,011	63,329	7,757	101,097
Net Change in Net Position	1,924	349,836	(104,124)	247,636
Net Position - Beginning of Year	1,729,785	5,738,537	4,875,312	12,343,634
<i>Restated (See note 11)</i>				
Net Position - End of Year	\$ 1,731,709	\$ 6,088,373	\$ 4,771,188	\$ 12,591,270

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sanitary Sewer Fund</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipt from customers	\$ 560,311	\$ 2,547,860	\$ 425,184	\$ 3,533,355
Payments to suppliers	(327,127)	(1,588,794)	(106,232)	(2,022,153)
Payments to employees	(168,833)	(423,408)	(148,107)	(740,348)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	64,351	535,658	170,845	770,854
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	30,011	63,329	7,757	101,097
Proceeds of loan/lease	53,556	168,112	53,556	275,224
Purchase of capital assets	(119,865)	(382,136)	(69,545)	(571,546)
Debt principal paid	--	(327,197)	(92,567)	(419,764)
Debt interest paid	--	(61,380)	(21,643)	(83,023)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(36,298)	(539,272)	(122,442)	(698,012)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	--	2,554	--	2,554
NET CASH PROVIDED BY INVESTING ACTIVITIES	--	2,554	--	2,554
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,053	(1,060)	48,403	75,396
CASH AND CASH EQUIVALENTS - Beginning of Year	158,891	791,191	71,260	1,021,342
CASH AND CASH EQUIVALENTS - End of Year	\$ 186,944	\$ 790,131	\$ 119,663	\$ 1,096,738
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (28,259)	\$ 329,188	\$ (91,615)	\$ 209,314
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	92,610	206,470	262,460	561,540
(Increase) decrease in:				
Receivables	2,056	33,946	386	36,388
Inventories	(2,714)	13,058	81	10,425
Increase (decrease) in:				
Pension related deferred outflows	(31,925)	(104,284)	(32,434)	(168,643)
Accounts and other payables	14,812	(35,997)	(1,125)	(22,310)
Net pension asset	19,386	63,325	19,695	102,406
Pension related deferred inflows	1,026	29,724	16,038	46,788
Accrued leave payable	(2,641)	(1,145)	(2,641)	(6,427)
Deposits	--	1,373	--	1,373
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 64,351	\$ 535,658	\$ 170,845	\$ 770,854

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

**CITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 74,223</u>
TOTAL ASSETS	<u><u>74,223</u></u>
LIABILITIES:	
Amounts held for others	<u>74,223</u>
Total Liabilities	<u><u>74,223</u></u>

*The accompanying Notes to Financial Statements
are an integral part of this statement.*

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

The reporting entity of the City of Fort Pierre consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The City participates in two cooperative units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint Ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of their relationship with the City.

b. *Basis of Presentation:*

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

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

The funds of the City's 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.

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

US COE Fund – The US COE Fund was established by the City according to the Construction, Relocation, and Alteration of Facilities Agreement with the US COE to account for the receipt and expenditure of federal grant monies obtained from the Department of Defense – U.S. Army Corps of Engineers. This is a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

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

Electric Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96). This is a major fund.

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

Fiduciary Funds:

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City’s agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

c. **Measurement Focus and Basis of Accounting:**

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

Measurement Focus:

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

Fund Financial Statements – In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Fort Pierre that cycle is 60 days. The revenues which are accrued at December 31, 2015 are sales tax, real estate taxes, state-shared revenues, and miscellaneous other revenues.

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

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

d. *Interfund Eliminations and Reclassifications:*

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

e. *Deposits and Investments:*

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with term to maturity at a date of acquisition of three months or less.

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.

f. *Capital Assets:*

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

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

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as “Improvements other than Buildings”.

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

f. *Capital Assets: (continued)*

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

The total December 31, 2015 balance of capital assets for governmental activities includes approximately twenty-five percent for which the costs were determined by estimates of the original costs. The total December 31, 2015 balance of capital assets for business-type activities includes approximately twenty-five percent for which costs were also estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon or by using deflated current replacement costs.

Government-Wide Financial Statements:

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

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

	<u><i>Capitalization Threshold</i></u>	<u><i>Depreciation Method</i></u>	<u><i>Estimated Useful Life</i></u>
Land and land rights	All	N/A	N/A
Improvements other than			
buildings	\$ 5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and			
improvements	5,000	Straight-line	10-50 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

g. *Long-Term Liabilities:*

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue, and special assessment bonds payable and capital leases and other notes payable.

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

h. *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.

i. *Deferred Inflows of Resources:*

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

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

j. *Proprietary Funds Revenue and Expense Classifications:*

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

k. *Cash and Cash Equivalents:*

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

l. *Equity Classifications:*

Government-Wide Financial Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “non-spendable”, “restricted”, “committed”, “assigned” and “unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. *Application of Net Position:*

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

n. **Fund Balance Classification Policies and Procedures:**

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

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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.

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.

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 Finance Officer.

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable forms such as inventory.
- Amount legally or contractually required to be maintained intact such as vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.
- Amount not in cash form such as long-term portion of notes receivable.

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

The purpose of each major special revenue fund and revenue source is listed below:

US COE Fund – To account for the receipt and expenditures of grant funds from the US Army Corps of Engineers.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (continued)

n. **Fund Balance Classification Policies and Procedures:** (continued)

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>
Non-spendable:			
SDPAA deposits	\$ 29,390	\$ --	\$ --
Cemetery	--	--	31,927
Supply inventory	209,549	--	--
Expo Building	19,935	--	--
	<u>258,874</u>	<u>--</u>	<u>31,927</u>
Restricted:			
Debt services	375,192	--	77,167
Fire Hall	30,000	--	--
Park	27,746	--	--
Capital Projects	--	162,160	--
	<u>432,938</u>	<u>162,160</u>	<u>77,167</u>
Unassigned	<u>42,213</u>	<u>--</u>	<u>63,347</u>
Total	<u>\$ 734,025</u>	<u>\$ 162,160</u>	<u>\$ 172,441</u>

o. **Pensions:**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 various 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 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.

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. None of the City’s deposits were exposed to the risks above as of December 31, 2015.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The City does not have a formal investment policy that limits investment securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. *RECEIVABLES AND PAYABLES:*

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

4. *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>
<u>\$ 709,042</u>	For debt service
<u>\$ 29,390</u>	For insurance

5. *INVENTORY:*

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

The General Fund also owns certain plots of land which were acquired for industrial development and are held for resale.

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories and land held for resale are off-set by a fund balance “non-spendable” classification which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. 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.

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2015 is as follows:

Governmental Activities:

	<i>Balance 1/1/2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 12/31/2015</i>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 973,462	\$ --	\$ --	\$ 973,462
Total, not being depreciated	<u>973,462</u>	<u>--</u>	<u>--</u>	<u>973,462</u>
Capital assets, being depreciated				
Buildings	533,364	--	--	533,364
Improvements	17,073,167	932,446	--	18,005,613
Equipment	968,325	347,084	86,019	1,229,390
Total, being depreciated	<u>18,574,856</u>	<u>1,279,530</u>	<u>86,019</u>	<u>19,768,367</u>
Less accumulated depreciation for:				
Buildings	258,593	12,842	--	271,435
Improvements	3,756,277	705,599	--	4,461,876
Equipment	602,580	82,231	--	684,811
Total accumulated depreciation	<u>4,617,450</u>	<u>800,672</u>	<u>--</u>	<u>5,418,122</u>
Capital Assets Net	<u>\$ 14,930,868</u>	<u>\$ 478,858</u>	<u>\$ 86,019</u>	<u>\$ 15,323,707</u>

Depreciation expense was charged to functions as follows:

General government	\$ 575
Public safety	13,187
Public works	678,837
Culture and recreation	108,073
	<u>\$ 800,672</u>

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. CHANGES IN CAPITAL ASSETS: (continued)

Business-Type Activities:

	<i>Balance 1/1/2015</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 12/31/2015</i>
<i>Business-Type Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 163,577	\$ --	\$ --	\$ 163,577
<i>Total, not being depreciated</i>	<u>163,577</u>	<u>--</u>	<u>--</u>	<u>163,577</u>
Capital assets, being depreciated:				
Buildings	4,781,926	--	--	4,781,926
Improvements	14,735,393	211,246	--	14,946,639
Equipment	723,140	350,021	58,269	1,014,892
<i>Total, being depreciated</i>	<u>20,240,459</u>	<u>561,267</u>	<u>58,269</u>	<u>20,743,457</u>
Less accumulated depreciation for:				
Buildings	1,717,781	77,766	--	1,795,547
Improvements	5,679,446	434,218	--	6,113,664
Equipment	532,751	49,557	--	582,308
<i>Total accumulated depreciation</i>	<u>7,929,978</u>	<u>561,541</u>	<u>--</u>	<u>8,491,519</u>
<i>Capital Assets Net</i>	<u>\$ 12,474,058</u>	<u>\$ (274)</u>	<u>\$ 58,269</u>	<u>\$ 12,415,515</u>

Depreciation expense was charged to functions as follows:

Water	\$ 92,610
Electric	206,471
Sanitary Sewer	<u>262,460</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 561,541</u>

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Primary Government</i>					
Government Activities:					
Bonds Payable:					
Revenue	\$ 6,675,279	\$ --	\$ 331,044	\$ 6,344,235	\$ 337,000
Capital Leases	--	138,132	28,947	109,185	26,000
Notes Payable:					
Revenue	345,130	--	68,742	276,388	68,700
Total Debt	<u>7,020,409</u>	<u>138,132</u>	<u>428,733</u>	<u>6,729,808</u>	<u>431,700</u>
Accrued Leave	26,559	--	499	26,060	13,300
Total Governmental Activities	<u>\$ 7,046,968</u>	<u>\$ 138,132</u>	<u>\$ 429,232</u>	<u>\$ 6,755,868</u>	<u>\$ 445,000</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	\$ 2,538,474	\$ --	\$ 418,673	\$ 2,119,801	\$ 390,000
Capital Leases	--	275,263	57,684	217,579	51,000
Other	4,464	--	4,464	--	--
Total Debt	<u>2,542,938</u>	<u>275,263</u>	<u>480,821</u>	<u>2,337,380</u>	<u>441,000</u>
Accrued Compensated Absences	39,309	--	6,429	32,880	16,000
Total Business-Type Activities	<u>2,582,247</u>	<u>275,263</u>	<u>487,250</u>	<u>2,370,260</u>	<u>457,000</u>
Total Primary Government	<u>\$ 9,629,215</u>	<u>\$ 413,395</u>	<u>\$ 916,482</u>	<u>\$ 9,126,128</u>	<u>\$ 902,000</u>

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. LONG-TERM DEBT: (continued)

Debt payable at December 31, 2015, is comprised of the following:

Government Activity Debt:

Revenue bonds:

State Revolving Fund (SRF), Series 2010 Drainage ditch project	3% fixed; matures and final payment due December 14, 2020. This debt is serviced by the General Fund.	\$ 424,233
Series 2012 Sales Tax Revenue Bonds Street projects and refunding	.85% - 4.593%; depending on length to maturity of individual bonds, final payment due December 1, 2032 This debt is serviced by the General Fund.	3,420,000
Financing (American State Bank) Street repairs	Variable rate; final payment due May 1, 2034. This debt is serviced by the General Fund.	<u>2,500,000</u>
<i>Total Revenue Debt</i>		<u>6,344,233</u>

Financing (Capital Lease) - 2015 The purchase price at commencement of financing was \$138, 132	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	109,185
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Series 2007 TIF No. 2 Note	7.32% fixed; note matures and final payment due December 1, 2019. This debt is serviced by TIF District #2 property tax.	276,388
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Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2014. This debt is serviced by the General Fund.	<u>26,062</u>
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<i>Total Governmental Activities Debt</i>		<u>6,755,868</u>
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CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. LONG-TERM DEBT: (continued)

Business Activity Debt:

Revenue bonds:

Series 2004 State Revolving Fund	3.5%; matures June 1, 2016. This debt will be repaid from the Sanitary Sewer Fund.	\$ 270,712
Series 2002 State Revolving Fund	3.5%; matures April 1, 2018. This debt will be repaid from the Sanitary Sewer Fund.	88,774
Series 2007 Electric Revenue Bond	4.77%; matures October 1, 2019. This debt will be repaid from the Electric Fund.	298,331
Series 2010 Water Revenue Bond	4.0%; matures December 1, 2015. This debt will be repaid from the Sanitary Sewer Fund.	--
Series 2011 Electric Surcharge Bond	2.75%; matures December 1, 2019. This debt will be repaid from the Electric Fund.	1,130,000
Series 2014 State Revolving Fund	3.25%; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund.	<u>210,815</u>
<i>Total Revenue Debt</i>		<u>1,998,632</u>

Financing (Capital Lease) - 2015 The purchase price at commencement of financing was \$275,263	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	217,580
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Financing (Capital Acquisition) West Central Irv Simmons Substation	4.0%; matures August 1, 2029. This debt will be repaid by the Electric Fund.	121,168
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Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2014. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.	<u>32,880</u>
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<i>Total Business Activity Debt</i>		<u>2,370,260</u>
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<i>Grand Total</i>		<u><u>\$ 9,126,128</u></u>
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CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. LONG-TERM DEBT: (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2015, including compensated absences are as follows:

Governmental Activities:

<i>Years Ending Dec. 31,</i>	<i>Revenue Bonds</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 431,763	\$ 223,374	\$ 431,763	\$ 223,374
2017	438,052	211,299	438,052	211,299
2018	449,376	199,343	449,376	199,343
2019	330,757	186,350	330,757	186,350
2020	305,539	175,007	305,539	175,007
2021-2044	4,800,381	1,251,528	4,800,381	1,251,528
TOTAL	\$ 6,755,868	\$ 2,246,901	\$ 6,755,868	\$ 2,246,901

Business-Type Activities:

<i>Years Ending Dec. 31,</i>	<i>Revenue Bonds</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2016	\$ 457,072	\$ 75,891	\$ 457,072	\$ 75,891
2017	474,196	62,142	474,196	62,142
2018	464,880	47,170	464,880	47,170
2019	478,033	31,814	478,033	31,814
2020	38,094	15,588	38,094	15,588
2021-2024	457,985	113,078	457,985	113,078
TOTAL	\$ 2,370,260	\$ 345,683	\$ 2,370,260	\$ 345,683

As of December 31, 2015, the City was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$86,704.

The City is not liable, directly nor indirectly for the preceding special assessments.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances at December 31, 2015 were:

<i>Inferfund</i>	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
General Fund	\$ --	\$ 151,534
Other Governmental Funds	55,250	--
Enterprise Funds:		
Electric	96,284	--
	\$ 151,534	\$ 151,534

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

9. *INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES: (continued)*

The “loans” above are legal transfers between funds as defined by SDCL 9-21-26.1. Since it was the City’s intent to repay them as soon as possible, these legal transfers are classified as “loans”. *CITY OF FORT PIERRE, SD*

10. *PRIOR PERIOD ADJUSTMENTS:*

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated. The related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
Net Position, January 1, 2015 as previously reported	\$ 9,669,745	\$ 12,238,908
Restatement for pension accounting:		
Net pension asset	160,338	180,807
Pension related deferred outflows of resources	118,230	133,324
Pension related deferred inflows of resources	(185,698)	(209,405)
Net Position, January 1, 2015 as restated	\$ 9,762,615	\$ 12,343,634

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sanitary Sewer Fund</i>	<i>Total</i>
Net Position, January 1, 2015 as previously reported	\$ 1,705,903	\$ 5,678,644	\$ 4,854,361	\$ 12,238,908
Restatement for pension accounting:				
Net pension asset	41,514	103,132	36,161	180,807
Pension related deferred outflows of resources	30,614	76,046	26,664	133,324
Pension related deferred inflows of resources	(48,246)	(119,285)	(41,874)	(209,405)
Net Position, January 1, 2015 as restated	\$ 1,729,785	\$ 5,738,537	\$ 4,875,312	\$ 12,343,634

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. PENSION PLAN:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> 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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined at 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on the SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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

Contribution:

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% of salary; Class B Judicial Members, 9% of salary; Class B Public Safety Members, 8% of salary. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$50,033, \$51,348, and \$48,479, respectively, equal to the required contributions each year.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. *PENSION PLAN: (continued)*

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net position asset of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 4,922,397
Less proportionate share of total pension liability	<u>\$ 4,728,668</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (193,729)</u></u>

At December 31, 2015, the City reported a liability (asset) of (\$193,729) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the plan relative to the contributions of all participating entities. As June 30, 2015, the City's proportion was .045677%, which is a decrease of .001674% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense (revenue) of (\$42,276). At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 39,667	\$ --
Changes in assumption	153,615	--
Net Difference between projected and actual earnings on pension plan investments	118,347	285,851
Changes in proportion and difference between City contributions and proportionate share of contributions	5,413	--
City contributions subsequent to the measurement date	<u>25,016</u>	<u>--</u>
Total Revenues	<u><u>\$ 342,058</u></u>	<u><u>\$ 285,851</u></u>

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. PENSION PLAN: (continued)

\$11,085 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (revenue) as follows:

<i>Year Ended</i>	
<i>December 31:</i>	
2016	\$ 10,753
2017	10,753
2018	(23,122)
2019	32,807
	<u>\$ 31,191</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increased	5.83 percent at entry to 3.87 percent after 30 years of service
Investment rate of return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. *PENSION PLAN: (continued)*

Actuarial Assumptions: (continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Expected Real Rate of Return</i>
Global equity	61.0%	4.5%
Fixed income	27.0%	1.8%
Real estate	10.0%	5.2%
Cash	2.0%	0.8%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50percent thereafter. 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. *PENSION PLAN: (continued)*

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

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, 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 (6.25/6.50%) or 1 – percentage point higher (8.25/8.50%) from the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
City's proportionate share of the net pension liability (asset)	\$ 487,614	\$ (193,729)	\$ (749,306)

Pension Plan Fiduciary Net Position:

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

12. *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, 2015, the City managed its risks as follows:

Employee Health Insurance:

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

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

*CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015*

12. *RISK MANAGEMENT: (continued)*

Worker's Compensation: (continued)

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage, during the past three years.

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 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 an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability insurance.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,500,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2015, the City has vested balance in the cumulative reserve fund of \$29,390.

The City carries a \$500-\$2,000 deductible for the property coverage, depending on the type of property.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage, during the past three years.

Unemployment Benefits:

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

CITY OF FORT PIERRE, SD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

13. JOINT VENTURES:

Exposition Building:

The City participates in an undivided interest, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during the winter months will be for hockey and multiple uses during other times of the year. Construction started in 1998 and was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Stanley County	15%

The City's interest in the facility as of December 31, 2015 is reported as a capital asset. Hughes County is acting the capacity of fiscal agent during the construction of the facility and currently, while the City of Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2015 this joint venture had total fund equity of \$132,209.

Stanley County Law Enforcement:

Stanley County Law Enforcement, a joint venture, is intended to be a separate legal entity pursuant SDCL 1-24-19 and SDCL 9-12-4 for services including the enforcement of state and federal laws, county and city ordinances and regulation. Membership to the Law Enforcement Board includes two Council members. The City has an equity interest of 58% of the net assets. Separate financial statements for this joint venture are available from the Stanley County Auditor.

As of December 31, 2015, this joint venture had a total equity of \$127,971.

Since the City of Fort Pierre maintains the accounting records and bank accounts of this entity it is included as an agency fund in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property tax	\$ 1,036,462	\$ 1,036,462	\$ 1,021,923	\$ (14,539)
General sales and use tax	1,154,644	1,154,644	1,269,472	114,828
Amusement tax	600	600	444	(156)
Penalties and interest on taxes	3,000	3,000	4,192	1,192
Licenses and permits	40,700	40,700	47,741	7,041
Intergovernmental:				
Federal grants	--	128,563	148,621	20,058
State grants	--	9,906	17,646	7,740
State shared revenues				
Bank franchise tax	1,800	1,800	2,031	231
Motor vehicle commercial prorate	5,000	5,000	2,663	(2,337)
Liquor tax reversion	12,500	12,500	12,961	461
Motor vehicle licenses (5%)	21,500	21,500	32,732	11,232
Local government highway and bridge fund	20,000	20,000	34,144	14,144
County Shared Revenue:				
County road tax (25%)	4,444	4,444	4,444	--
Charges for Goods and Services:				
General government	63,625	63,625	52,205	(11,420)
Highway and streets	46,622	46,622	38,861	(7,761)
Sanitation	1,500	1,500	2,315	815
Health	1,500	1,500	1,203	(297)
Culture and recreation	25,050	25,050	34,359	9,309
Fines and Forfeits:				
Court fines and costs	750	750	1,136	386
Parking Fines	750	750	200	(550)
Miscellaneous Revenue:				
Investment earnings	35,000	35,000	16,391	(18,609)
Rentals	--	--	95	95
Special assessments	3,500	3,500	85	(3,415)
Special maintenance fee	136,980	136,980	123,333	(13,647)
Contributions and donations	--	10,000	10,000	--
Other	791	791	79,398	78,607
T.V. franchise	22,000	22,000	25,322	3,322
Lease purchase proceeds	300,000	300,000	137,777	(162,223)
Sale of Fixed Assets	--	--	25,048	25,048
Comp for loss/damaged assets	--	--	6,890	6,890
TOTAL REVENUES	<u>2,938,718</u>	<u>3,087,187</u>	<u>3,153,632</u>	<u>66,445</u>

See accompanying Note to Budgetary Comparison Schedules.

CITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
EXPENDITURES				
General Government:				
Mayor & council	\$ 65,169	\$ 75,169	\$ 72,211	\$ 2,958
Elections	1,500	1,500	937	563
Legal	50,000	132,000	111,773	20,227
Financial administration	140,082	166,082	136,167	29,915
Planning/zoning	46,346	46,346	46,330	16
Public Safety:				
Police	304,926	304,926	293,510	11,416
Fire	83,214	83,214	23,124	60,090
Building inspection	18,002	27,002	82,964	(55,962)
Civil defense	1,500	5,200	4,731	469
Public Works:				
Shop	39,000	49,000	46,305	2,695
Public works administration	113,306	113,306	100,556	12,750
Highways and streets	1,535,606	1,975,606	1,908,813	66,793
Snow removal	24,129	34,129	27,014	7,115
Street cleaning	35,609	35,609	30,241	5,368
Solid waste	14,098	14,598	14,323	275
Transit	28,000	28,000	28,000	--
Health and Welfare:				
Health	35,410	35,410	28,253	7,157
Culture and Recreation:				
Swimming pool	70,668	70,668	69,897	771
Community youth involved	30,000	30,000	30,000	--
Parks	332,779	342,779	342,702	77
Libraries	9,331	9,331	9,330	1
Expo building	--	--	4,711	(4,711)
Cultural arts	5,800	5,800	5,800	--
Museums	10,132	26,132	24,093	2,039
Conservation and Development:				
Conservation & development	500	500	500	--
Debt Service	544,841	611,641	581,044	30,597
TOTAL EXPENDITURES	<u>3,539,948</u>	<u>4,223,948</u>	<u>4,023,329</u>	<u>200,619</u>
Excess of Revenues Over				
Expenditures	<u>(601,230)</u>	<u>(1,136,761)</u>	<u>(869,697)</u>	<u>267,064</u>
OTHER FINANCING SOURCES (USES):				
Net of change in inventory	--	--	(14,480)	14,480
Sale of Municipal property	--	--	10,542	(10,542)
Net Change in Fund Balances	<u>(601,230)</u>	<u>(1,136,761)</u>	<u>(873,635)</u>	<u>618,561</u>
FUND BALANCE, Beginning of Year	<u>1,680,069</u>	<u>565,981</u>	<u>1,607,660</u>	<u>1,041,679</u>
FUND BALANCE, End of Year	<u>\$ 1,078,839</u>	<u>\$ (570,780)</u>	<u>\$ 734,025</u>	<u>\$ 1,308,743</u>

See accompanying Note to Budgetary Comparison Schedules.

CITY OF FORT PIERRE, SD
NOTE TO BUDGETARY COMPARISON SCHEDULES
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
FOR THE YEAR ENDED
DECEMBER 31, 2015

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 municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

**CITY OF FORT PIERRE, SD
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY (ASSET) (SDRS)
 DECEMBER 31, 2015**

	2015
Municipality's proportion of the net pension liability (asset)	0.50%
Municipality's proportionate share of net pension liability (asset)	(193,729)
Municipality's covered-employee payroll	855,796
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.64%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%

* 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 of the current fiscal year.

CITY OF FORT PIERRE, SD
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)
DECEMBER 31, 2015

	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 51,348	\$ 50,033
Contributions in relation to the contractually required contribution	<u>51,348</u>	<u>50,033</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 855,796	\$ 833,928
Contributions as a percentage of covered-employee payroll	6.00%	6.00%

SUPPLEMENTAL INFORMATION

***CITY OF FORT PIERRE, SD
MUNICIPAL OFFICIALS
DECEMBER 31, 2015***

Governing Board Members:

**Gloria Hanson, Mayor
Kevin Gabriel, Council Member Ward I
Larry Cronin, Council Member Ward I
Aaron Rose, Council Member Ward II
Robert Ricketts, Council Member Ward II
Randy Seiler, Council Member Ward III
Todd Bernhard, Council Member – Ward III**

City Finance Officer:

Roxanne Heezen

City Attorney:

Tieszen Law Office