

MUNICIPALITY OF FORT PIERRE
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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e l o c p a ■ c o m

**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
Municipality 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 Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated June 19, 2019

Internal Control over Financial Reporting

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

Mitchell ■ 605.996.7717
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Chamberlain ■ 605.234.6055
Huron ■ 605.352.8573
Miller ■ 605.853.2130

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 Municipality'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 signature is written in a cursive, somewhat stylized font.

Chamberlain, South Dakota
June 19, 2019

***MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017***

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

There are no written current other audit findings to report.



INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Municipality 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 Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Municipality'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 Municipality'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 Municipality of Fort Pierre, South Dakota, as of December 31, 2017, 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.

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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 Municipal Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Municipality's Contributions listed in the table of contents 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 Municipality 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 June 19, 2019 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Chamberlain, South Dakota
June 19, 2019

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<i>Primary Government</i>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 367,783	\$ 1,056,910	\$ 1,424,693
Accounts receivable, net	496,549	343,370	839,919
Inventories	28,777	564,792	593,569
Land held for resale	161,185	–	161,185
Restricted assets:			
Investments	831,106	598,262	1,429,368
Deposits	29,390	97,067	126,457
Net pension asset	1,997	2,159	4,156
Capital assets:			
Land	1,011,954	163,577	1,175,531
Other capital assets, net of depreciation	<u>14,533,400</u>	<u>11,914,691</u>	<u>26,448,091</u>
Total Assets	<u>17,462,141</u>	<u>14,740,828</u>	<u>32,202,969</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>202,152</u>	<u>223,095</u>	<u>425,247</u>
LIABILITIES			
Accounts payable and other current liabilities	77,791	156,331	234,122
Noncurrent liabilities:			
Due within one year	450,000	513,000	963,000
Due in more than one year	<u>4,211,841</u>	<u>1,191,127</u>	<u>5,402,968</u>
Total Liabilities	<u>4,739,632</u>	<u>1,860,458</u>	<u>6,600,090</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>43,258</u>	<u>42,513</u>	<u>85,771</u>
NET POSITION			
Net investment in capital assets	10,908,357	10,689,537	21,597,894
Restricted for:			
Capital projects purposes	333,140	339,254	672,394
Debt services	389,645	259,008	648,653
Cemetery	31,927	–	31,927
Expo building	14,566	–	14,566
Fire hall	40,000	–	40,000
Meter deposits	29,390	97,067	126,457
Park	27,746	–	27,746
SDRS pension purposes	160,891	182,741	343,632
Unrestricted	<u>945,741</u>	<u>1,493,345</u>	<u>2,439,086</u>
Total Net Position	<u>\$ 12,881,403</u>	<u>\$ 13,060,952</u>	<u>\$ 25,942,355</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
General government	\$ 326,194	\$ 90,497	\$ 120,140	\$ -	\$ (115,557)	\$ -	\$ (115,557)
Public safety	438,550	938	-	-	(437,612)	-	(437,612)
Public works	782,248	151,108	91,950	229,899	(309,291)	-	(309,291)
Health and welfare	28,110	3,374	-	-	(24,736)	-	(24,736)
Culture and recreation	524,015	50,097	-	-	(473,918)	-	(473,918)
Conservation and development	255,205	3,383	-	-	(251,822)	-	(251,822)
Interest on long-term debt	155,308	-	-	-	(155,308)	-	(155,308)
<i>Total Governmental Activities</i>	<u>2,509,630</u>	<u>299,397</u>	<u>212,090</u>	<u>229,899</u>	<u>(1,768,244)</u>	<u>-</u>	<u>(1,768,244)</u>
<i>Business-type Activities:</i>							
Water	567,494	675,266	-	-	-	107,772	107,772
Electric	2,289,251	2,658,137	-	-	-	368,886	368,886
Sewer	580,902	466,797	-	-	-	(114,105)	(114,105)
<i>Total Business-Type Activities</i>	<u>3,437,647</u>	<u>3,800,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,553</u>	<u>362,553</u>
<i>Total Primary Government</i>	<u>\$ 5,947,277</u>	<u>\$ 4,099,597</u>	<u>\$ 212,090</u>	<u>\$ 229,899</u>	<u>(1,768,244)</u>	<u>362,553</u>	<u>(1,405,691)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					1,483,028	-	1,483,028
Sales tax					1,278,819	-	1,278,819
State shared revenues					26,981	-	26,981
Unrestricted investment earnings					9,903	2,519	12,422
Miscellaneous revenue					113,729	3,294	117,023
Special item: Loss on special assessments (See Note 13)					(89,561)	(268,683)	(358,244)
<i>Total General Revenues and Transfers</i>					<u>2,822,899</u>	<u>(262,870)</u>	<u>2,560,029</u>
<i>Change in Net position</i>					1,054,655	99,683	1,154,338
<i>Net Position-Beginning of Year</i>					11,826,748	12,961,269	24,788,017
<i>Net Position-End of Year</i>					<u>\$ 12,881,403</u>	<u>\$ 13,060,952</u>	<u>\$ 25,942,355</u>

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

MUNICIPALITY OF FORT PIERRE, SD
BALANCE SHEET-
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS			
Cash and cash equivalents	\$ 143,094	\$ 224,689	\$ 367,783
Taxes receivable:			
Delinquent	29,553	--	29,553
Accounts receivable	37,598	--	37,598
Special assessments receivable			
Current	--	--	--
Delinquent	1,960	--	1,960
Deferred	199,237	--	199,237
Due from other governments	216,924	11,277	228,201
Supply inventory	28,777	--	28,777
Land held for resale	161,185	--	161,185
Restricted investments	799,179	31,927	831,106
Deposits	29,390	--	29,390
<i>Total Assets</i>	1,646,897	267,893	1,914,790
LIABILITIES AND FUND BALANCES			
Accounts payable	59,966	6,506	66,472
Accrued wages payable	10,581	--	10,581
Due to other governments	--	738	738
<i>Total Liabilities</i>	70,547	7,244	77,791
DEFERRED INFLOWS OF RESOURCES			
Property taxes	29,553	--	29,553
Flood prevention	--	161,487	161,487
Special Assessments	201,198	--	201,198
<i>Total Deferred Inflows of Resources</i>	230,751	161,487	392,238
FUND BALANCES			
Nonspendable	219,352	31,927	251,279
Restricted	799,179	67,235	866,414
Unassigned	327,068	--	327,068
<i>Total Fund Balances</i>	1,345,599	99,162	1,444,761
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	\$ 1,646,897	\$ 267,893	\$ 1,914,790

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

<i>Total Fund Balances - Government Funds</i>	\$ 1,444,761
 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.	1,997
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,545,354
Pension related deferred outflows are components of pension liability. (asset) and therefore are not reported in the funds	202,152
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.	(4,661,841)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds.	392,238
Pension related deferred inflows are components of pension liability. (asset) and therefore are not reported in the funds	<u>(43,258)</u>
<i>Net Position - Governmental Funds</i>	<u>\$ 12,881,403</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<i>Revenues:</i>			
<i>Taxes</i>			
General property taxes	\$ 1,102,777	\$ 121,128	\$ 1,223,905
General sales taxes	1,158,031	120,788	1,278,819
Amusement taxes	396	-	396
Penalties and interest	9,788	-	9,788
Licenses and permits	40,075	-	40,075
<i>Intergovernmental revenue</i>			
Federal grants	82,789	-	82,789
State grants	91,950	-	91,950
<i>State shared revenues</i>			
Bank franchise tax	13,430	-	13,430
Motor vehicle commercial prorata	12,186	-	12,186
Liquor tax reversion	13,551	-	13,551
Motor vehicles licenses	32,045	-	32,045
Local government highway and bridge	30,313	-	30,313
County shared revenues	4,444	-	4,444
<i>Charges for goods and services</i>			
General government	50,422	-	50,422
Highways and streets	70,585	-	70,585
Sanitation	1,535	-	1,535
Health	3,374	-	3,374
Culture and recreation	50,097	-	50,097
Economic development	3,383	-	3,383
<i>Fines and forfeits</i>			
Court fines and costs	488	-	488
Parking fines	450	-	450
<i>Miscellaneous revenue</i>			
Investment earnings	9,374	529	9,903
Special assessments	145,679	1,431	147,110
Contributions	35,080	85,060	120,140
Other	113,729	-	113,729
<i>Total Revenue</i>	<u>3,075,971</u>	<u>328,936</u>	<u>3,404,907</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Expenditures:</i>			
<i>Current:</i>			
<i>General government:</i>			
Executive	\$ 106,579	\$ --	\$ 106,579
Elections	15	--	15
Legal	43,425	--	43,425
Financial administration	132,320	--	132,320
Planning and zoning	46,253	--	46,253
<i>Public safety:</i>			
Police	318,227	--	318,227
Fire	84,086	--	84,086
Building inspection	22,006	--	22,006
Civil defense	290	--	290
<i>Public works:</i>			
Highways and streets	1,145,134	--	1,145,134
Sanitation	55,669	--	55,669
Transit	28,000	--	28,000
<i>Health and welfare:</i>			
Health	28,110	--	28,110
<i>Culture and recreation:</i>			
Recreation	79,126	--	79,126
Parks	273,888	--	273,888
Library	9,500	--	9,500
Expo building	22,919	--	22,919
Cultural arts	5,000	--	5,000
Museum	21,967	--	21,967
<i>Conservation and development:</i>			
Dues and fees	16,045	1,701	17,746
BID board economic development	--	83,359	83,359
Economic development and assistance (industrial development)		154,100	154,100
Debt service	<u>1,894,499</u>	<u>206,840</u>	<u>2,101,339</u>
<i>Total Expenditures</i>	<u>4,333,058</u>	<u>446,000</u>	<u>4,779,058</u>
<i>Excess of Revenues Over (Under)</i>			
Expenditures	<u>(1,257,087)</u>	<u>(117,064)</u>	<u>(1,374,151)</u>
<i>Other Financing Sources:</i>			
Long-term debt issued	192,813	--	192,813
Sale of Municipal Property	4,050	--	4,050
<i>Total Other Financing Sources</i>	<u>196,863</u>	<u>--</u>	<u>196,863</u>
Special Item: Loss on Special Assesments - (See Note 13)	<u>(89,561)</u>	<u>--</u>	<u>(89,561)</u>
<i>Net Change in Fund Balance</i>	<u>(1,149,785)</u>	<u>(117,064)</u>	<u>(1,266,849)</u>
<i>Changes in Nonspendable</i>	<u>(495)</u>	<u>--</u>	<u>(495)</u>
<i>FUND BALANCES - Beginning of Year</i>	<u>2,495,879</u>	<u>216,226</u>	<u>2,712,105</u>
<i>FUND BALANCES - End of Year</i>	<u>1,345,599</u>	<u>99,162</u>	<u>1,444,761</u>

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Total Government Funds \$ (1,266,849)

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. 1,095,706

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. (844,565)

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. 1,946,031

The issuance of long-term debt is an other financing source in the fund statements but an increase in the long-term liabilities on the government wide statements. (192,813)

Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises. 248,939

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (1,014)

Change in Net Position of Governmental Activities \$ 1,054,655

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION-
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 325,329	\$ 593,206	\$ 138,375	\$ 1,056,910
Accounts receivable	51,505	225,426	43,034	319,965
Accounts receivable - Surcharge	-	21,013	1,149	22,162
NSF check receivables	-	651	-	651
Due from other government	592	-	-	592
Supply inventory	134,862	417,287	12,643	564,792
<i>Total Current Assets</i>	<u>512,288</u>	<u>1,257,583</u>	<u>195,201</u>	<u>1,965,072</u>
<i>Noncurrent Assets:</i>				
Restricted investments	-	564,556	33,706	598,262
Deposits	4,250	92,817	-	97,067
<i>Capital assets:</i>				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	4,030,120	-	4,781,926
Improvements other than buildings	2,668,090	4,620,134	8,136,963	15,425,187
Machinery and equipment	176,497	604,139	567,749	1,348,385
Accumulated depreciation	<u>(2,239,506)</u>	<u>(3,651,900)</u>	<u>(3,749,401)</u>	<u>(9,640,807)</u>
<i>Total Capital Assets:</i>	<u>1,384,474</u>	<u>5,718,492</u>	<u>4,975,302</u>	<u>12,078,268</u>
Net pension asset	415	1,362	382	2,159
<i>Total Noncurrent Assets</i>	<u>1,389,139</u>	<u>6,377,227</u>	<u>5,009,390</u>	<u>12,775,756</u>
<i>Total Assets</i>	<u>1,901,427</u>	<u>7,634,810</u>	<u>5,204,591</u>	<u>14,740,828</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	42,600	137,941	42,554	223,095
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	14,839	26,399	4,480	45,718
Accrued wages	2,968	7,229	2,756	12,953
Customer deposits	4,250	92,818	-	97,068
Unearned revenue	592	-	-	592
Current portion of long term debt	25,000	407,000	81,000	513,000
<i>Total Current Liabilities</i>	<u>47,649</u>	<u>533,446</u>	<u>88,236</u>	<u>669,331</u>
<i>Noncurrent Liabilities:</i>				
Bonds payable:				
Revenue	-	484,860	400,034	884,894
Accrued leave payable	9,567	27,075	9,568	46,210
Other long-term debt	28,146	61,116	170,761	260,023
<i>Total Noncurrent Liabilities</i>	<u>37,713</u>	<u>573,051</u>	<u>580,363</u>	<u>1,191,127</u>
<i>Total Liabilities</i>	<u>85,362</u>	<u>1,106,497</u>	<u>668,599</u>	<u>1,860,458</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	8,680	26,023	7,810	42,513
NET POSITION				
Net investment in capital assets	1,368,898	4,826,534	4,494,105	10,689,537
Restricted net position restricted for:				
Debt service	-	208,502	33,706	242,208
Revenue bond service	-	16,800	-	16,800
Facility Replacement	-	339,254	-	339,254
Meter deposits	4,250	92,817	-	97,067
SDRS pension purposes	34,335	113,280	35,126	182,741
Unrestricted net position	<u>442,502</u>	<u>1,043,044</u>	<u>7,799</u>	<u>1,493,345</u>
<i>Total Net Position</i>	<u>\$ 1,849,985</u>	<u>\$ 6,640,231</u>	<u>\$ 4,570,736</u>	<u>\$ 13,060,952</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION-
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>Operating Revenues:</i>				
Charges for goods and services	\$ 675,266	\$ 2,658,137	\$ 466,797	\$ 3,800,200
Total Operating Revenues	675,266	2,658,137	466,797	3,800,200
<i>Operating Expenses:</i>				
Personal services	156,444	390,113	122,160	668,717
Other current expense	80,060	313,369	155,341	548,770
Materials	231,916	1,321,105	-	1,553,021
Depreciation	98,306	220,255	286,435	604,996
Total Operating Expenses	566,726	2,244,842	563,936	3,375,504
 <i>Operating Income (Loss)</i>	 108,540	 413,295	 (97,139)	 424,696
<i>Nonoperating Revenues:</i>				
Investment earnings	-	2,519	-	2,519
Miscellaneous non-operating revenue (expense)	153	-	12	165
Rentals	-	94	-	94
Interest expense	(768)	(44,409)	(16,966)	(62,143)
Gain/Loss on sale of fixed assets	-	-	3,035	3,035
Total Nonoperating Revenue	(615)	(41,796)	(13,919)	(56,330)
 <i>Net Income (Loss) Before Contributions</i>	 107,925	 371,499	 (111,058)	 368,366
<i>Special items:</i>				
Loss on Special Assesments - (See Note 13)	(89,561)	(138,561)	(40,561)	(268,683)
 <i>Net Change in Net Position</i>	 18,364	 232,938	 (151,619)	 99,683
 <i>Net Position - Beginning of Year</i>	 1,831,621	 6,407,293	 4,722,355	 12,961,269
 <i>Net Position - End of Year</i>	 \$ 1,849,985	 \$ 6,640,231	 \$ 4,570,736	 \$ 13,060,952

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipt from customers	\$ 676,503	\$ 2,708,372	\$ 466,473	\$ 3,851,348
Payments to suppliers	(332,518)	(1,771,210)	(126,320)	(2,230,048)
Payments to employees	(165,425)	(423,716)	(162,692)	(751,833)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>178,560</u>	<u>513,446</u>	<u>177,461</u>	<u>869,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(106,616)	(162,208)	(250,276)	(519,100)
Debt issued	17,927	87,577	175,304	280,808
Debt principal paid	-	(442,399)	(65,636)	(508,035)
Debt interest paid	(768)	(44,409)	(16,966)	(62,143)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(89,457)</u>	<u>(561,439)</u>	<u>(157,574)</u>	<u>(808,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	-	(355)	-	(355)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>(355)</u>	<u>-</u>	<u>(355)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,103	(48,348)	19,887	60,642
CASH AND CASH EQUIVALENTS - Beginning of Year- Restated (See Note 13)	<u>236,226</u>	<u>641,554</u>	<u>118,488</u>	<u>996,268</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 325,329</u>	<u>\$ 593,206</u>	<u>\$ 138,375</u>	<u>\$ 1,056,910</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 108,540	\$ 413,295	\$ (97,139)	\$ 424,696
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	98,306	220,255	286,435	604,996
(Increase) decrease in:				
Receivables	1,030	46,320	386	47,736
Inventories	(13,999)	13,058	81	(860)
Increase (decrease) in:				
Pension related deferred outflows	-	-	4,502	4,502
Accounts and other payables	(7,034)	(149,700)	(14,789)	(171,523)
Pension related deferred inflows	(14,915)	(50,136)	-	(65,051)
Accrued leave payable	6,632	16,533	(2,015)	21,150
Deposits	-	3,821	-	3,821
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 178,560</u>	<u>\$ 513,446</u>	<u>\$ 177,461</u>	<u>\$ 869,467</u>

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

**MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION-
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 114,608</u>
TOTAL ASSETS	<u><u>\$ 114,608</u></u>
LIABILITIES:	
Amounts held for others	<u>\$ 114,608</u>
Total Liabilities	<u><u>\$ 114,608</u></u>

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of the Municipality 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 Municipality 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 Municipality.

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 Municipality and for each function of the Municipality'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 Municipality 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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 Municipality's financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. 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.

US COE Fund – The US COE Fund was established by the Municipality 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.

Permanent Fund – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs – that is for the benefit of the Municipality and its citizenry.

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.

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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 Municipality’s agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 Municipality of Fort Pierre that cycle is 60 days. The revenues which are accrued at December 31, 2016 are sales tax, real estate taxes, state-shared revenues, and miscellaneous other revenues.

Under the modified accrual basis of accounting, receivables may be measured but not available. Available means collectible within the current period or seen enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 over 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.

Government-Wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual historical cost could not be determined. 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, 2017 balance of governmental activities capital assets are all valued at original cost. The total December 31, 2017 business-type capital assets are all valued at original cost.

**MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

f. **Capital Assets:** (continued)

Government-Wide Financial Statements: (continued)

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 Municipality. 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, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund operations, construction-period interest is capitalized; this is in accordance with USGAAP.

The total December 31, 2017 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, 2017 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.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which reported as Unallocated Depreciation, 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:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

f. **Capital Assets: (continued)**

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.

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 Municipality'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 and Deferred Outflows 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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

i. **Deferred Inflows and Deferred Outflows of Resources: (continued)**

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.

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 Municipality 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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

m. **Application of Net Position:**

It is the Municipality'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.

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 Municipality 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 nor 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 Municipality does not have a formal minimum fund balance policy.

The purpose of each 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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Cemetery	\$ --	\$ 31,927	\$ 31,927
SDPAA deposits	29,390	--	29,390
Supply inventory	28,777	--	28,777
Land Available for Sale	161,185	--	161,185
	<u>219,352</u>	<u>31,927</u>	<u>251,279</u>
Restricted:			
Debt services	389,645	28,092	417,737
Cemetery Projects	--	10,205	10,205
Promotion of the City	--	28,938	28,938
Fire Hall	40,000	--	40,000
Park	27,746	--	27,746
Capital Projects	327,222	--	327,222
Expo Building	14,566	--	14,566
	<u>799,179</u>	<u>67,235</u>	<u>866,414</u>
Unassigned	<u>327,068</u>	<u>--</u>	<u>327,068</u>
Total	<u>\$ 1,345,599</u>	<u>\$ 99,162</u>	<u>\$ 1,444,761</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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The Municipality 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 Municipality’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 Municipality 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.

Fair Value Measurement – The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. The Municipality has money market fund investments that are all Level 1 holdings.

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

Interest Rate Risk – The Municipality 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 Municipality’s policy is to credit all income from deposits and investments to the fund making the investment.

**MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The Municipality 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>Governmental</u>	<u>Business type</u>	<u>Total</u>	<u>Purpose:</u>
327,222	339,254	666,476	For capital projects
389,645	259,008	648,653	For debt service
31,927	--	31,927	Cemetery projects
14,566	--	14,566	Expo building
40,000	--	40,000	Fire hall
27,746	--	27,746	Park projects
29,390	97,067	126,457	Customer deposits and 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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

Governmental Activities:

	<u>Balance</u> <u>1/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2017</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,011,954	\$ --	\$ --	\$ 1,011,954
Total, not being depreciated	<u>1,011,954</u>	<u>--</u>	<u>--</u>	<u>1,011,954</u>
Capital assets, being depreciated				
Buildings	533,364	--	--	533,364
Improvements	18,874,349	687,866	11,075	19,551,140
Equipment	1,144,688	407,840	108,980	1,443,548
Total, being depreciated	<u>20,552,401</u>	<u>1,095,706</u>	<u>120,055</u>	<u>21,528,052</u>
Less accumulated depreciation for:				
Buildings	284,278	12,842	--	297,120
Improvements	5,222,553	751,793	--	5,974,346
Equipment	763,311	79,930	120,055	723,186
Total accumulated depreciation	<u>6,270,142</u>	<u>844,565</u>	<u>120,055</u>	<u>6,994,652</u>
Capital Assets Net	<u>\$ 15,294,213</u>	<u>\$ 251,141</u>	<u>\$ --</u>	<u>\$ 15,545,354</u>

Depreciation expense was charged to functions as follows:

General government	\$ 638
Public safety	13,941
Public works	718,371
Culture and recreation	111,615
	<u>\$ 844,565</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. CHANGES IN CAPITAL ASSETS: (continued)

Business-Type Activities:

	<i>Balance</i> <u>1/1/2017</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>12/31/2017</u>
Business-Type Activities:				
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 assts, being depreciated:				
Buildings	4,781,926	—	—	4,781,926
Improvements	15,262,398	162,789	—	15,425,187
Equipment	1,014,892	347,493	14,000	1,348,385
<i>Total, being depreciated</i>	<u>21,059,216</u>	<u>510,282</u>	<u>14,000</u>	<u>21,555,498</u>
Less accumulated depreciation for:				
Buildings	1,873,316	76,553	—	1,949,869
Improvements	6,558,407	450,170	—	7,008,577
Equipment	629,942	78,273	25,854	682,361
<i>Total accumulated depreciation</i>	<u>9,061,665</u>	<u>604,996</u>	<u>25,854</u>	<u>9,640,807</u>
Capital Assets Net	<u>\$ 12,161,128</u>	<u>\$ (94,714)</u>	<u>\$ (11,854)</u>	<u>\$ 12,078,268</u>

Depreciation expense was charged to functions as follows:

Water	\$ 98,306
Electric	220,255
Sanitary Sewer	286,435
Total Depreciation Expense - Business-Type Activities	<u>\$ 604,996</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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	\$ 6,215,196	\$ —	\$ 1,859,990	\$ 4,355,206	\$ 411,000
Capital Leases	<u>82,848</u>	<u>284,984</u>	<u>86,041</u>	<u>281,791</u>	<u>27,000</u>
<i>Total Debt</i>	<u>6,298,044</u>	<u>284,984</u>	<u>1,946,031</u>	<u>4,636,997</u>	<u>438,000</u>
Accrued Leave	<u>23,830</u>	<u>1,014</u>	<u>—</u>	<u>24,844</u>	<u>12,000</u>
<i>Total Governmental Activities</i>	<u>6,321,874</u>	<u>285,998</u>	<u>1,946,031</u>	<u>4,661,841</u>	<u>450,000</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	1,715,211	—	420,458	1,294,753	405,000
Capital Leases	<u>165,097</u>	<u>280,828</u>	<u>82,760</u>	<u>363,165</u>	<u>94,000</u>
<i>Total Debt</i>	<u>1,880,308</u>	<u>280,828</u>	<u>503,218</u>	<u>1,657,918</u>	<u>499,000</u>
Accrued Compensated Absences	<u>27,976</u>	<u>18,232</u>	<u>—</u>	<u>46,208</u>	<u>14,000</u>
<i>Total Business-Type Activities</i>	<u>1,908,284</u>	<u>299,060</u>	<u>503,218</u>	<u>1,704,126</u>	<u>513,000</u>
<i>Total Primary Government</i>	<u>\$ 8,230,158</u>	<u>585,058</u>	<u>\$ 2,449,249</u>	<u>\$ 6,365,967</u>	<u>\$ 963,000</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LONG-TERM DEBT: (continued)

Debt payable at December 31, 2017, is comprised of the following:

Government Activity Debt:

Revenue bonds:

State Revolving Fund (SRF), Series 2011 Drainage ditch project	3% fixed; matures and final payment due July 1, 2031. This debt is serviced by the General Fund.	\$ 380,206
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.	2,785,000
Note Payable American State Bank Street repairs	Variable rate; beginning at prime rate 3.48% Rate adjustment to prime rate in 2024. Final payment due May 1, 2014. This debt is is serviced by the General Fund.	<u>1,190,000</u>
<i>Total Revenue Debt</i>		4,355,206
American State Bank Capital Lease The purchase price at commencement of financing was \$138,132 in 2015. Final payment is due May 2019	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	55,882
American State Bank Capital Lease The purchase price at commencement of financing was \$284,984 in 2017. Final payment is due February 2023	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	225,910
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund.	<u>24,843</u>
<i>Total Governmental Activities Debt</i>		<u>4,661,841</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LONG-TERM DEBT: (continued)

Business Activity Debt:

Business-type Activities:

Revenue bonds:

Series 2004 State Revolving Fund	3.5% ; matures June 1, 2026. This debt will be repaid from the Sanitary Sewer Fund.	\$ 226,505
Series 2002 State Revolving Fund	3.5% ; matures April 1, 2018. This debt will be repaid from the Electric Fund.	156,192
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.	590,000
Financing (Capital Acquisition) West Central IrvSimmons Substation	4.0% ; matures August 1, 2029. This debt will be repaid by the Electric Fund.	107,290
Series 2014 State Revolving Fund	3.25% ; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund.	<u>201,636</u>
<i>Total Revenue Debt</i>		1,294,753
American State Bank Capital Lease The purchase price at commencement of financing was \$275,263 in 2015. Final payment is due May 2019	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	111,359
American State Bank Capital Lease The purchase price at commencement of financing was \$280,828 in 2017. Final payment is due February 2023	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	251,806
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.	<u>46,208</u>
<i>Total Business Activity Debt</i>		<u>1,704,126</u>
<i>Grand Total</i>		<u>\$ 6,365,967</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LONG-TERM DEBT: (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2017, including compensated absences are as follows:

Governmental Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 353,023	\$ 142,301	\$ 62,562	\$ 8,045	\$ 415,585	\$ 150,346
2019	199,270	135,001	64,260	6,347	263,530	141,348
2020	237,142	129,775	37,058	4,604	274,200	134,379
2021	245,087	123,456	38,159	3,504	283,246	126,960
2022	248,131	116,536	39,292	2,372	287,423	118,908
2023-2027	1,365,059	465,549	40,460	1,206	1,405,519	466,755
2028-2032	1,558,935	215,349	—	—	1,558,935	215,349
2033-2034	148,559	5,200	—	—	148,559	5,200
TOTAL	\$ 4,355,206	\$ 1,333,167	\$ 281,791	\$ 26,078	\$ 4,636,997	\$ 1,359,245

Business-Type Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 409,858	\$ 44,509	\$ 93,980	\$ 10,140	\$ 503,838	\$ 54,649
2019	421,696	30,468	96,452	7,668	518,148	38,136
2020	38,094	15,588	41,306	5,130	79,400	20,718
2021	39,476	14,206	42,533	3,903	82,009	18,109
2022	40,909	12,773	43,796	2,640	84,705	15,413
2023-2027	180,501	41,638	45,098	1,339	225,599	42,977
2028-2032	54,104	21,661	—	—	54,104	21,661
2033-2037	41,802	14,758	—	—	41,802	14,758
2083-2042	49,145	7,414	—	—	49,145	7,414
2043-2044	19,168	628	—	—	19,168	628
TOTAL	\$ 1,294,753	\$ 203,643	\$ 363,165	\$ 30,820	\$ 1,657,918	\$ 234,463

As of December 31, 2017, the Municipality was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$114,608.

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

**MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

9. RESTRICTED NET POSITION:

Restricted Net Position for the year ended December 31, 2017 was as follows:

<i>Major Purposes:</i>	
Debt service	\$ 648,653
<i>Permanently Restricted Purposes:</i>	
Cemetary Perpetual Care - Nonexpendible	\$ 31,927
<i>Other Purposes:</i>	
Capital projects	\$ 672,394
Expo building	14,566
Fire hall	40,000
Customer deposits	126,457
Park	27,746
SDRS pension purposes	343,632
<i>Total Other Purposes:</i>	\$ 1,224,795

10. 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://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, 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. Class B judicial benefits are determined as 3.33 percent for service prior to 2008 and 3.333 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.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. PENSION PLAN: (continued)

Benefits Provided: (continued)

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

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. 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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$56,709., \$53,802, and \$52031, respectively, equal to the required contributions each year.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. PENSION PLAN: (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2017, SDRS is 100.1% 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 Municipality as of this measurement period ending July 30, 2017 and reported by the Municipality as of December 31, 2017 are as follows:

Proportionate share of pension liability	\$ 5,327,789
Less proportionate share of total pension restricted for pension benefits	<u>5,331,945</u>
Proportionate share of net pension liability (asset)	<u>\$ (4,156)</u>

At December 31, 2017, the Municipality reported an (asset) of (4,156) for its proportionate share of the net pension (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2017, the Municipality's proportion was .04579120%, which is a decrease of .00021% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the municipality recognized pension expense (reduction of pension expense) of (\$92,991):

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 66,584	\$ -
Changes in assumption	322,656	-
Net Difference between projected and actual earnings on pension plan investments	-	79,896
Changes in proportion and difference between City contributions and proportionate share of contributions	8,195	5,875
City contributions subsequent to the measurement date	<u>27,812</u>	<u>-</u>
Total Revenues	<u>\$ 425,247</u>	<u>\$ 85,771</u>

\$27,812 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. 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>	
2018	87,734
2019	140,791
2020	104,339
2021	<u>(18,187)</u>
	<u>\$ 314,677</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. PENSION PLAN: (continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increased	Graded by years of service, from 6.50% at entry to 3.00% percent at entry to 3.87 percent after 30 years of service
Discount Rate	6.50% net of plan investment expense

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (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>Long-term Expected Real Rate of Return</i>
Global equity	58.0%	4.5%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
TOTAL	100.0%	

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. PENSION PLAN: (continued)

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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).

Sensitivity of Liability to Changes in the Discount Rate:

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent t, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (5.50%) or 1 – percentage point higher 7.50%) from the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
County's/Municipality's proportionate share of the net pension liability (asset)	\$ 761,097	\$ (4,156)	\$ (627,320)

Pension Plan Fiduciary Net Position:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. RISK MANAGEMENT:

The Municipality 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, 2017, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality 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 Municipality 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 Municipality'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 Municipality 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.

The Municipality 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 Municipality 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 Municipality'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 Municipality. The Municipality 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 Municipality pays an annual premium to the pool to provide coverage for automobile and general liability insurance.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

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

As of December 31, 2017, the Municipality has vested balance in the cumulative reserve fund of \$29,390.

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

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. JOINT VENTURES:

Exposition Building:

The Municipality participates in an undivided interest, known as Exposition Building, which is a joint operation between the Municipality 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:

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

The Municipality's interest in the facility as of December 31, 2016 is reported as a capital asset. Hughes County is acting the CAPA Municipality of fiscal agent during the construction of the facility and currently, while the Municipality of Pierre acted in the CAPA Municipality 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, 2016, this joint venture had total fund equity of \$138,944.

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 Municipality ordinances and regulation. Membership to the Law Enforcement Board includes two Council members. The Municipality 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, 2017, this joint venture had a total equity of \$88,695.

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

13. SPECIAL ITEM: LOSS ON ASSESSMENTS AND RESTATEMENT OF BEGINNING CASH PROPRIETARY FUNDS:

In the December 31, 2016 ending reported cash for the proprietary funds included amounts that should have been reported as special assessments to a Wakpa Sica project dating back to 2003. The total amount was \$268,683. The amount has been restated on the cash flow statement. In 2017 these amounts have been written off as a loss. The total loss includes amounts from the general fund (\$89,561). Total loss government wide is \$358,244.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<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>
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property tax	\$ 1,105,209	\$ 1,105,209	\$ 1,102,777	\$ (2,432)
General sales and use tax	1,347,300	1,347,300	1,158,031	(189,269)
Amusement tax	600	600	396	(204)
Penalties and interest on taxes	3,000	3,000	9,788	6,788
Licenses and permits	40,700	40,700	40,075	(625)
Intergovernmental:				
Federal grants	-	82,000	82,789	789
State grants	-	11,000	91,950	80,950
State shared revenues				
Bank franchise tax	1,800	1,800	13,430	11,630
Motor vehicle commercial prorate	5,000	5,000	12,186	7,186
Liquor tax reversion	12,500	12,500	13,551	1,051
Motor vehicle licenses (5%)	30,000	30,000	32,045	2,045
Local government highway and bridge fund	30,000	30,000	30,313	313
County Shared Revenue:				
County road tax (25%)	4,444	4,444	4,444	-
Charges for Goods and Services:				
General government	59,625	59,625	50,422	(9,203)
Highway and streets	74,410	74,410	70,585	(3,825)
Sanitation	600	600	1,535	935
Health	1,500	1,500	3,374	1,874
Culture and recreation	27,550	27,550	50,097	22,547
Economic development activities	-	-	3,383	3,383
Fines and Forfeits:				
Court fines and costs	200	200	488	288
Parking Fines	750	750	450	(300)
Miscellaneous Revenue:				
Investment earnings	2,500	2,500	9,374	6,874
Special assessments	140,918	140,918	145,679	4,761
Contributions and donations	-	-	35,080	35,080
Other	24,791	24,791	113,729	88,938
TOTAL REVENUES	<u>2,913,397</u>	<u>3,006,397</u>	<u>3,075,971</u>	<u>69,574</u>

See accompanying Note to Budgetary Comparison Schedules.

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 103,781	\$ 110,781	\$ 106,579	\$ 4,202
Elections	1,500	1,500	15	1,485
Legal	85,000	85,000	43,425	41,575
Financial administration	146,029	146,029	132,320	13,709
Planning/zoning	51,293	51,293	46,253	5,040
Public Safety:				
Police	333,866	333,866	318,227	15,639
Fire	89,336	89,336	84,086	5,250
Building inspection	21,152	24,152	22,006	2,146
Civil defense	1,500	1,500	290	1,210
Public Works:				
Highways and streets	1,061,166	1,363,979	1,145,134	218,845
Sanitation	64,055	64,055	55,669	8,386
Transit	28,000	28,000	28,000	--
Health and Welfare:				
Health	35,610	35,610	28,110	7,500
Culture and Recreation:				
Recreation	94,370	94,370	79,126	15,244
Parks	288,760	288,760	273,888	14,872
Libraries	9,500	9,500	9,500	--
Expo building	--	--	22,919	(22,919)
Cultural arts	5,000	5,000	5,000	--
Museums	43,742	43,742	21,967	21,775
Conservation and Development:				
Conservation & development	500	16,546	16,045	501
Debt Service	566,669	1,891,669	1,894,499	(2,830)
TOTAL EXPENDITURES	<u>3,030,829</u>	<u>4,684,688</u>	<u>4,333,058</u>	<u>351,630</u>
Excess of Revenues Over Expenditures				
	<u>(117,431)</u>	<u>(1,678,291)</u>	<u>(1,257,087)</u>	<u>421,204</u>
OTHER FINANCING SOURCES:				
Long-term debt issued	--	192,813	192,813	--
Sale of Municipal Property	--	--	4,050	4,050
TOTAL OTHER FINANCING SOURCES	--	192,813	196,863	4,050
Special Item: Loss on Special Assessments - (See Note 13)	--	--	(89,561)	(89,561)
NET CHANGES IN FUND BALANCE	(117,431)	(1,485,478)	(1,149,785)	335,693
CHANGES IN NONSPENDABLE	--	--	(495)	(495)
FUND BALANCE, Beginning of Year	2,495,879	2,495,879	2,495,879	--
FUND BALANCE, End of Year	<u>\$ 2,378,448</u>	<u>\$ 1,010,401</u>	<u>\$ 1,345,599</u>	<u>\$ 335,198</u>

See accompanying Note to Budgetary Comparison Schedules.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED
DECEMBER 31, 2017

Note 1. Budgets and Budgetary Accounting:

The Municipality 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 and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 56,709	\$ 53,802	\$ 52,031
Contributions in relation to the contractually required contribution	<u>56,709</u>	<u>53,802</u>	<u>52,031</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 945,144	\$ 896,703	\$ 867,173
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%

MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension asset	0.0457912%	0.0479270%	0.0456770%
Municipality's proportionate share of net pension asset	\$ (4,156)	\$ 161,893	\$ (193,729)
Municipality's covered-employee payroll	<u>930,382</u>	<u>911,329</u>	<u>833,928</u>
Municipality's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension asset	100.10%	96.89%	104.10%

***MUNICIPALITY OF FORT PIERRE, SD
MUNICIPAL OFFICIALS
DECEMBER 31, 2017***

Governing Board Members:

**Gloria Hanson, Mayor
Kevin Gabriel, Council Member – Ward I
Larry Cronin, Council Member – Ward I
David LaRoche, Council Member – Ward II
Robert Ricketts, Council Member – Ward II
Mike Weisgram, Council Member – Ward III
Todd Bernhard, Council Member – Ward III**

Municipality Finance Officer:

Roxanne Heezen

Municipality Attorney:

Tieszen Law Office