

CITY OF FORT PIERRE

AUDIT REPORT

DECEMBER 31, 2013

**CITY OF FORT PIERRE
TABLE OF CONTENTS**

	Page
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	1-2
Independent Auditor's Report on Compliance for each Major Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133	3-5
Independent Auditor's Report	6-8
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position as of December 31, 2013	9-10
Statement of Activities for the Year ended December 31, 2013	11-12
FUND FINANCIAL STATEMENTS	
Balance Sheet-Governmental Funds as of December 31, 2013	13-14
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds-for the Year ended December 31, 2013	16-19
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balance to the Government-wide Statement of Activities	20
Statement of Net Position - Proprietary Funds as of December 31, 2013	21-24
Statement of Revenues, Expenses and Changes in Fund Net Position-Proprietary Funds-for the Year ended December 31, 2013	25-26
Statement of Cash Flows Proprietary Funds-for the Year Ended December 31, 2013	27-28
Statement of Fiduciary Net Position-Fiduciary Funds as of December 31, 2013	29
Notes to Financial Statements	30-61

Required Supplementary Information:

Budgetary Comparison Schedules

General Fund 62-67

Notes to Required Supplementary Information 68

Other Supplemental Data:

Schedule of Expenditures of Federal Awards 69

Schedule of Current Audit Findings and Questioned Costs 70-72

Schedule of Prior Audit Findings and Questioned Costs 73

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

Governing Board
City of Fort Pierre
Fort Pierre, South Dakota

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre (City), as December 31, 2013, and for the year then ended, and the related notes to the financial statements and have issued my report thereon dated April 25, 2014.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in my audit are described in the accompanying schedule of Current Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.



April 25, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
City of Fort Pierre
Fort Pierre, South Dakota

Report on Compliance for Each Major Program

I have audited the City of Fort Pierre, South Dakota (City) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the City of Fort Pierre complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing my audit of noncompliance, I considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type

of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2013-002 to be a material weakness.

The City's responses to the findings identified in my audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

This purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and my report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in black ink, appearing to read "Amy Johnson", with a stylized, flowing script.

April 25, 2014

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Fort Pierre
Fort Pierre, South Dakota

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair representation of these financial statements in accordance with 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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 City's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 the City of Fort Pierre as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 62 through 68 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Schedule of Expenditures of Federal Awards, which is required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records management used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 25, 2014 on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



April 25, 2014

**CITY OF FORT PIERRE
STATEMENT OF POSITION
DECEMBER 31, 2013**

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
ASSETS:		
Cash and cash equivalents	\$283,541	\$842,025
Receivables	489,562	548,951
Internal balances	(94,433)	94,433
Inventories	121,390	515,089
Land held for resale	220,465	0
Restricted assets:		
Investments	353,942	249,904
Deposits	29,390	0
Capital assets:		
Land	973,461	163,577
Other capital assets, net of depreciation	12,784,035	12,461,266
TOTAL ASSETS	15,161,353	14,875,245
LIABILITIES:		
Accounts payable	188,590	270,503
Other current liabilities	16,384	108,645
Noncurrent liabilities:		
Due within one year	671,743	424,711
Due in more than one year	5,390,794	2,385,079
TOTAL LIABILITIES	6,267,511	3,188,938
NET POSITION:		
Net investment in capital assets	7,715,305	9,867,257
Restricted for:		
Cemetery	40,901	0
Debt service	400,624	294,904
Insurance	29,390	0
Unrestricted	707,622	1,524,146
TOTAL NET POSITION	\$8,893,842	\$11,686,307

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

TOTAL	
\$1,125,566	
1,038,513	
0	
636,479	
220,465	
603,846	
29,390	
1,137,038	
25,245,301	
30,036,598	

459,093
125,029
1,096,454
7,775,873
9,456,449

17,582,562
40,901
695,528
29,390
<u>2,231,768</u>
<u>\$20,580,149</u>

**CITY OF FORT PIERRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Capital Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$371,979	\$51,857	\$0
Public safety	374,135	996	0
Public works	621,490	110,313	1,352,265
Health and welfare	26,391	3,385	0
Culture and recreation	511,567	30,372	0
Conservation and development	217,080	367,628	0
*Interest on long-term debt	185,994	0	0
TOTAL GOVERNMENTAL ACTIVITIES	2,308,636	564,551	1,352,265
Business-type Activities:			
Water	465,925	522,773	0
Electric	2,052,632	2,496,908	0
Sanitary sewer	442,953	391,174	65,800
TOTAL BUSINESS-TYPE ACTIVITIES	2,961,510	3,410,855	65,800
TOTAL PRIMARY GOVERNMENT	\$5,270,146	\$3,975,406	\$1,418,065

* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues
TRANSFERS

Total General Revenues and Transfers

Change in net position

Net Position-beginning,

NET POSITION-ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

Governmental Activities	Business-type Activities	Total
(\$320,122)	\$0	(\$320,122)
(373,139)	0	(373,139)
841,088	0	841,088
(23,006)	0	(23,006)
(481,195)	0	(481,195)
150,548	0	150,548
(185,994)	0	(185,994)
(391,820)	0	(391,820)
0	56,848	56,848
0	434,276	434,276
0	14,021	14,021
0	505,145	505,145
(391,820)	505,145	113,325
1,043,364	0	1,043,364
1,175,449	0	1,175,449
15,360	0	15,360
4,703	1,105	5,808
92,438	0	92,438
(310,352)	310,352	0
2,020,962	311,457	2,332,419
1,629,142	816,602	2,445,744
7,264,700	10,869,705	18,134,405
\$8,893,842	\$11,686,307	\$20,580,149

CITY OF FORT PIERRE
BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	US COE Fund	Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$0	\$162,096	\$121,445
Taxes receivable-			
Delinquent	47,708	0	0
Accounts receivable	6,656	0	0
Special assessments receivable-current	752	0	0
Special assesments receivable-delinquent	1,741	0	1,431
Special assessments receivable-deferred	272,993	0	0
Due from other governments	148,304	0	9,977
Deposits	29,390	0	0
Supply inventory	121,390	0	0
Land held for resale	220,465	0	0
Restricted investment	353,942	0	0
TOTAL ASSETS	<u><u>\$1,203,341</u></u>	<u><u>\$162,096</u></u>	<u><u>\$132,853</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$188,590	\$0	\$0
Accrued wages payable	16,384	0	0
Due to electric fund	94,433	0	0
Unearned revenue	0	162,096	0
Total Liabilities	<u><u>299,407</u></u>	<u><u>162,096</u></u>	<u><u>0</u></u>
 DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues:			
Property taxes	47,708	0	0
Special assessments	275,486	0	1,431
Total Deferred Inflows of Resources	<u><u>323,194</u></u>	<u><u>0</u></u>	<u><u>1,431</u></u>
 FUND BALANCES:			
Non-spendable	371,245	0	0
Restricted	353,942	0	131,422
Unassigned	(144,447)	0	0
Total Fund Balance	<u><u>580,740</u></u>	<u><u>0</u></u>	<u><u>131,422</u></u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$1,203,341</u></u>	<u><u>\$162,096</u></u>	<u><u>\$132,853</u></u>

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

Total
Governmental
Funds

\$283,541

47,708

6,656

752

3,172

272,993

158,281

29,390

121,390

220,465

353,942

\$1,498,290

\$188,590

16,384

94,433

162,096

461,503

47,708

276,917

324,625

371,245

485,364

(144,447)

712,162

\$1,498,290

CITY OF FORT PIERRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
DECEMBER 31, 2013

Total Fund Balances-Government Funds	\$712,162
--------------------------------------	-----------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	13,757,496
--	------------

Long-term liabilities, including bonds payable, capital leases payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds	(6,062,537)
---	-------------

Property taxes and special assessments receivable and certain grants are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net position, but in the funds statement "available" (within a 30 day period) are offset with unavailable revenue	<u>486,721</u>
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Net Position-Governmental Funds	<u><u>\$8,893,842</u></u>
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The accompanying notes to financial statements are an
integral part of this statement.

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	US COE Fund	Other Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$920,164	\$0	\$107,251
General sales taxes	1,080,488	0	94,961
Penalties and interest	3,095	0	399
Licenses and permits	36,289	0	0
Intergovernmental Revenue			
Federal grants	565,633	310,352	0
State grants	251,982	0	0
State shared revenues	80,537	0	0
County shared revenues	4,444	0	0
Charges for Goods or Services			
General government	51,857	0	0
Highways and streets	40,692	0	0
Sanitation	1,788	0	0
Health	1,597	0	0
Culture and recreation	30,372	0	0
Economic development	367,628	0	0
Fines and Forfeits			
Court fines and costs	221	0	0
Parking fines	775	0	0
Miscellaneous Revenue			
Interest earned	4,703	0	9,947
Special assessments	187,484	0	0
Contributions	20,227	0	0
Other	25,975	0	0
Total Revenue	<u>\$3,675,951</u>	<u>\$310,352</u>	<u>\$212,558</u>

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

Total
Governmental
Funds

\$1,027,415

1,175,449

3,494

36,289

875,985

251,982

80,537

4,444

51,857

40,692

1,788

1,597

30,372

367,628

221

775

14,650

187,484

20,227

25,975

\$4,198,861

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	US COE Fund	Other Governmental Funds
Expenditures:			
General Government:			
Executive	\$49,917	\$0	\$0
Elections	1,978	0	0
Financial administration	231,721	0	0
Other	45,645	0	0
Public Safety:			
Police	269,886	0	0
Fire	81,160	0	0
Other	17,022	0	0
Public Works:			
Highways and streets	4,045,781	0	0
Sanitation	43,030	0	0
Transit	24,000	0	0
Health and Welfare:			
Health	26,391	0	0
Culture and Recreation:			
Recreation	100,757	0	0
Parks	243,469	0	0
Libraries	9,122	0	0
Auditorium	8,239	0	0
Museum	130,857	0	0
Conservation and Development:			
Economic development	136,030	0	81,050
Debt Service	588,590	0	95,000
Total Expenditures	<u>6,053,595</u>	<u>0</u>	<u>176,050</u>
 Excess of revenues over (under) expenditures	 (2,377,644)	 310,352	 36,508
Other Financing Sources:			
Proceeds of long-term debt	1,000,000	0	0
Transfers-out	0	(310,352)	0
Net Change in Fund Balances	(1,377,644)	0	36,508
FUND BALANCE, JANUARY 1, 2013	<u>1,958,384</u>	<u>0</u>	<u>94,914</u>
 FUND BALANCE, DECEMBER 31, 2013	 <u><u>\$580,740</u></u>	 <u><u>\$0</u></u>	 <u><u>\$131,422</u></u>

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

Total Governmental Funds
\$49,917
1,978
231,721
45,645
269,886
81,160
17,022
4,045,781
43,030
24,000
26,391
100,757
243,469
9,122
8,239
130,857
217,080
683,590
<u>6,229,645</u>
(2,030,784)
1,000,000
<u>(310,352)</u>
(1,341,136)
<u>2,053,298</u>
<u><u>\$712,162</u></u>

CITY OF FORT PIERRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net Changes in Fund Balances-Total Governmental Funds	(\$1,341,136)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	3,463,097
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	497,596
Proceeds of long-term debt is reported as revenue in the funds statement, but is an increase in liabilities in the statement of activities	(1,000,000)
Property tax revenues, certain federal revenues, and special assessments are reported in the period to be financed by the property tax levy or special assessment for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with unavailable revenue.	49,269
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	1,607
Prepaid insurance cost is expensed in the activities statement.	<u>(41,291)</u>
Change in Net Position of Governmental Activities	<u><u>\$1,629,142</u></u>

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

CITY OF FORT PIERRE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
ASSETS:			
Current Assets:			
Cash	\$0	\$842,025	\$0
Accounts receivable	49,495	361,054	37,978
Due from other governments	0	0	100,424
Supply inventory	111,258	396,406	7,425
Due from other funds	0	263,903	0
Total Current Assets	160,753	1,863,388	145,827
Noncurrent Assets:			
Restricted cash and cash equivalents	0	249,904	0
Capital Assets:			
Land	27,587	115,999	19,991
Buildings	751,806	3,802,896	0
Improvements other than buildings	2,479,685	4,141,874	7,970,140
Machinery and equipment	75,784	333,313	304,483
Accumulated depreciation	(1,868,131)	(2,830,761)	(2,699,823)
Total Noncurrent Assets	1,466,731	5,813,225	5,594,791
TOTAL ASSETS	\$1,627,484	\$7,676,613	\$5,740,618

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

-

Total

\$842,025

448,527

100,424

515,089

263,903

2,169,968

249,904

163,577

4,554,702

14,591,699

713,580

(7,398,715)

12,874,747

\$15,044,715

CITY OF FORT PIERRE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2013

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
LIABILITIES			
Current Liabilities:			
Accounts payable	\$19,344	\$176,703	\$74,456
Accrued wages	5,479	14,472	4,605
Due to other funds	47,740	0	121,730
Customer deposits	3,500	80,589	0
Current portion of long-term debt	4,484	326,161	94,066
Total Current Liabilities	80,547	597,925	294,857
Non-current Liabilities:			
Bonds payable:			
Revenue	0	1,744,531	615,322
Accrued leave payable	4,434	11,894	4,434
Other long-term debt	0	4,464	0
Total Non-current Liabilities	4,434	1,760,889	619,756
TOTAL LIABILITIES	84,981	2,358,814	914,613
NET POSITION			
Net investment in capital assets	1,466,731	3,510,639	4,889,887
Restricted net position restricted for:			
Revenue bond debt service	0	249,904	0
Unrestricted net position	75,772	1,512,256	(63,882)
Total Net Position	\$1,542,503	\$5,272,799	\$4,826,005

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

-

Total

\$270,503

24,556

169,470

84,089

424,711

973,329

2,359,853

20,762

4,464

2,385,079

3,358,408

9,867,257

249,904

1,524,146

\$11,641,307

CITY OF FORT PIERRE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
OPERATING REVENUES:			
Charges for goods and services	\$522,773	\$2,486,908	\$391,174
OPERATING EXPENSES:			
Personal services	113,679	323,224	114,195
Cost of sales	211,677	1,291,675	0
Other current expense	54,695	189,791	61,934
Depreciation	85,874	177,149	245,633
Total Operating Expenses	465,925	1,981,839	421,762
Operating Income (Loss)	56,848	505,069	(30,588)
Non-operating Revenue (Expense)			
Interest earned	0	1,105	0
Interest expense	0	(70,793)	(21,191)
Total Non-operating Revenue (Expense)	0	(69,688)	(21,191)
Income before contributions and transfers	56,848	435,381	(51,779)
Capital contributions	0	0	65,800
Transfers-in	0	0	310,352
Change in Net Position	56,848	435,381	324,373
NET POSITION, BEGINNING	1,485,655	4,882,418	4,501,632
NET POSITION, ENDING	\$1,542,503	\$5,317,799	\$4,826,005

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

Total

\$3,400,855

551,098

1,503,352

306,420

508,656

2,869,526

531,329

1,105

(91,984)

(90,879)

440,450

65,800

310,352

816,602

10,869,705

\$11,686,307

CITY OF FORT PIERRE
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$528,272	\$2,429,009	\$394,125
Cash receipts for interfund services	0	76,047	0
Payments to suppliers	(264,410)	(1,425,373)	(65,705)
Cash payments for interfund services	(10,468)	(93,275)	(27,606)
Payments to employees	(113,777)	(316,214)	(114,192)
Net Cash Provided (Used) by Operating Activities	139,617	670,194	186,622
CashFlows from Non-capital Financing Activities:			
Loans (to) from other funds	(26,961)	(125,482)	58,010
Transfers-in	0	0	310,352
Cash Flows from Capital and Related Financing Activities:			
Contributed capital	0	0	65,800
Proceeds of capital debt	0	0	65,161
Purchase of capital assets	(112,656)	(148,739)	(579,669)
Debt principal paid	0	(311,103)	(85,085)
Debt interest paid	0	(70,793)	(21,191)
Cash Flows from Investing Activities:			
Cash received for interest	0	1,105	0
Net Increase (Decrease) in Cash and Cash Equivalents	0	15,182	0
Cash and Cash Equivalents Beginning of Year	0	1,076,747	0
Cash and Cash Equivalents End of Year	\$0	\$1,091,929	\$0
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$56,848	\$505,069	(\$30,588)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	85,874	177,149	245,633
Changes in Assets and Liabilities:			
Receivables	5,249	15,763	2,951
Inventories	3,474	(60,908)	(1,168)
Accounts and other payables	(11,980)	23,726	(30,209)
Accrued leave payable	(98)	7,010	3
Deposits	250	2,385	0
Net Cash Provided (Used) by Operating Activities	\$139,617	\$670,194	\$186,622

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

-

Total

\$3,351,406
76,047
(1,755,488)
(131,349)
(544,183)
996,433

(94,433)
310,352

65,800
65,161
(841,064)
(396,188)
(91,984)

1,105

15,182

1,076,747

\$1,091,929

\$531,329

508,656

23,963
(58,602)
(18,463)
6,915
2,635

\$996,433

CITY OF FORT PIERRE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$51,091
Total Assets	51,091
LIABILITIES	
Amounts held for others	51,091
Total Liabilities	51,091
NET POSITION	\$0

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

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Fort Pierre consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for with 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 Primary Government Unit is the City of Fort Pierre. The City participates in two cooperative units:

- 1.) Stanley Country Law Enforcement (with Stanley Country), see Note 15 for specific disclosure.
- 2.) Expo Building (Hughes County, Stanley County, and City of Pierre). See detailed Note 14 for specific disclosure.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Basis of Presentation:

Government-wide Statements:

The Statement of Net Position and the 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 the governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above and may be classified as either governmental or business-type activities.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds:

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

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

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entertainment Tax Fund - to account for a 3rd cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the City, land acquisitions, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). This is not a major fund.

Second One Percent Sales Tax Fund - a fund established by ordinance to account for a portion of the City's general sales tax. Proceeds from this tax are to be used for retiring capital improvement indebtedness for both Governmental and Business Type Activity debt. This is not a major fund.

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

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

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

"TIF" No. 2 Fund - to account for property taxes which may be used only for the payment of the TIF Revenue Note principal, interest and related costs. This is not a major fund.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City's programs - that is for the benefit of the City and its citizenry.

Cedar Hill Cemetery Perpetual Care Fund - to account for the payments received for perpetual care of cemeteries which is 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.

PROPRIETARY FUNDS:

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major enterprise funds:

Enterprise Funds:

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).

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electric Fund - to account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Sanitary Sewer Fund - to account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Fiduciary Funds:

Agency Funds - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City's agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accruals basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type and component unit 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Fort Pierre, the length of that cycle is 60 days. The revenues which are accrued at December 31, 2013 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

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

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds and fiduciary funds 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.

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.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance "non-spendable" classification which indicates that they do not constitute

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

"available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

e. 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 significantly greater number of years than most capital assets.

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

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

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.

CITY OF FORT PIERRE
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The total December 31, 2013 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, 2013 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, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ All	N/A	N/A
Improvements other than buildings	5,000	Straight-line	10-50 years

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. 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 principle 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 statements.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Program Revenues:

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

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

h. 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.

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

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified 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.

j. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purpose. 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 equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide 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 places 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".

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

1. Application of Net Position or Fund Balances:

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

Fund Balance Classification Policies and Procedures:

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

1. 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.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Finance Officer.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

SUMMARY OF FUND BALANCES DECEMBER 31, 2013			
	General Fund	C.O.E. Fund	Other Governmental Funds
Non-spendable:			
Deposits	\$ 29,390	\$ -	\$ -
Supply Inventory	121,390	-	-
Land held for resale	204,465	-	-
	<u>371,245</u>	<u>-</u>	<u>-</u>
Restricted:			
Debt Services	353,942	-	46,682
Economic Development	-	-	43,839
Cemetery	-	-	40,901
	<u>353,942</u>	<u>-</u>	<u>131,422</u>
Unassigned	<u>(144,447)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 508,740</u>	<u>\$ -</u>	<u>\$ 131,422</u>

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

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

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 banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but no in the depositor-government's name.

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

None of the City's deposits were exposed to the risks above as of December 31, 2013.

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

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. As of December 31, 2013, the City had no investments except for a 26 month CD, which is restricted for debt service.

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

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

3. RECEIVABLES AND PAYABLES

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

4. 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.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

4. INVENTORY (continued)

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 current assets.

5. DEFERRED INFLOWS OF RESOURCES

Receivables, such as taxes, federal grants and special assessment receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows are those where asset recognition criteria have been met but which revenue recognition criteria have not been met.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

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

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS

A summary of changes in fixed assets for the year ended December 31, 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Governmental Activities:				
Capital Assets				
Not being				
Depreciated:				
Land	\$ 973,461	\$ -	\$ -	\$ 973,461
Capital Assets				
Being Depreciated				
Buildings	493,640	39,724	-	533,364
Improvements	11,602,489	3,690,365	-	15,292,854
Equipment	914,693	36,354	-	951,047
Totals	13,010,822	3,766,443	-	16,777,265
Less accumulated				
Depreciation for:				
Building	232,909	12,842	-	245,751
Improvements	2,982,624	212,934	-	3,195,558
Equipment	474,351	77,570	-	551,921
Total	3,689,884	303,346	-	3,993,230
Total Capital				
Assets being				
Depreciated-				
Net	\$ 9,320,938	\$3,463,097	\$ -	\$12,784,035
Governmental Activity				
Capital Assets				
Net	\$10,294,399	\$3,463,097	\$ -	\$13,757,496

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

General Government	\$ 3,034
Public Safety	6,067
Public Works	221,442
Culture and Recreation	<u>72,803</u>
	<u>\$ 303,346</u>

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Business-type Activities:				
Capital Assets				
Not being				
Depreciated				
Land	\$ <u>163,577</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>163,577</u>
Capital Assets				
Being Depreciated				
Buildings	4,554,702	-	-	4,554,702
Improvements	13,834,649	757,050	-	14,591,699
Equipment	<u>713,580</u>	<u>-</u>	<u>-</u>	<u>713,580</u>
Totals	<u>19,102,931</u>	<u>757,050</u>	<u>-</u>	<u>19,859,981</u>
Less accumulated				
Depreciation for:				
Building	1,564,974	75,040	-	1,640,014
Improvements	4,836,495	411,823	-	5,248,318
Equipment	<u>488,590</u>	<u>21,793</u>	<u>-</u>	<u>510,383</u>
Total	\$ <u>6,890,059</u>	\$ <u>508,656</u>	\$ <u>-</u>	\$ <u>7,398,715</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>12,212,872</u>	<u>248,394</u>	<u>-</u>	<u>12,461,266</u>
Business-type Activity				
Capital Assets				
Net	<u>\$12,376,449</u>	<u>\$ 248,394</u>	<u>\$ -</u>	<u>\$12,624,843</u>

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Water	\$ 85,874
Electric	177,149
Sanitary Sewer	245,633
	<u>\$ 508,656</u>

8. SHORT-TERM DEBT

During 2013, the City had the following short-term debt transactions:

Balance, 12/31/2012	\$ 701,845
Payments	<u>(701,845)</u>
Balance, 12/31/2013	<u>\$ -</u>

The loan was necessary to cash flow the costs of the 2011 flood. The note is due to the State of South Dakota with no interest for the first eighteen months. Security for the loan is grant proceeds due to the City from the Federal Emergency Management Agency (FEMA).

9. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Government Activities:					
Bonds Payable:					
Revenue	\$ 4,808,892	\$1,000,000	\$ 308,191	\$5,500,701	\$ 509,925
Special Assess- ment	171,910	-	85,136	86,774	86,774
Notes Payable:					
Revenue	513,201	-	58,485	454,716	64,844
Financing (Capital Acquisition)					
Leases	45,784	-	43,784	-	-

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total					
Debt	\$ 5,539,787	\$1,000,000	\$ 497,596	\$6,042,191	\$ 661,543
Accrued Compensated Absences- Governmental					
Funds	21,953	9,393	11,000	20,346	10,200
Total Governmental Activities	5,561,740	1,009,393	508,596	6,062,537	671,743
Business-type Activities:					
Bonds Payable:					
Revenue	2,982,330	165,585	380,329	2,757,586	397,733
Other	16,301	-	5,859	10,442	5,978
Total					
Debt	2,998,631	165,585	396,188	2,768,028	403,711
Accrued Compensated Absences- Business-type					
Funds	35,638	24,124	18,000	41,762	21,000
Total Business-type Activities	3,034,269	189,709	414,188	2,809,790	424,711
GRAND TOTAL	\$8,596,009	\$1,199,102	\$ 922,784	\$8,872,327	\$1,096,454

Debt payable at December 31, 2013 is comprised of the following:

GOVERNMENT ACTIVITY DEBT:

Revenue Bonds:

Series 2010 State Revolving Fund (SRF)

matures in 12/14/20; 3% interest rate;

payment to be financed from the General Fund \$ 465,701

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Sales Tax Revenue Bonds, Series 2012,
matures in 2/01/32; .85% to 4.593% interest
rates depending on length to maturity of
individual bonds, payment to be made by the
General Fund \$4,035,000

Total Revenue Bonds 4,500,701

Series 2004 Special Assessment Bond,
Interest rate of 3.85%, final payment
due November 1, 2014. This debt will
be repaid by the proceeds from special
assessments 86,774

Note payable to bank; serviced by sales
tax revenue. Due in monthly installments
of \$18,324.66, including 3.75% interest
until December 20, 2018. To be repaid
by the General Fund. 1,000,000

Revenue Note:
TIF # 2 Revenue Note, interest rate of
7.32%, maturing 12/01/19, paid by the
Tax Increment District #3 fund 454,716

Compensated Absences:
The liability for compensated absences
represents leave benefits earned as of
December 31, 2013. This will be paid
by the General Fund 20,346

TOTAL GOVERNMENTAL ACTIVITY \$6,062,537

BUSINESS ACTIVITY DEBT

Revenue Bonds:
Series 2004 State Revolving Fund (SRF)
Sanitary Sewer, matures 06/01/26; 3.5%
interest. Debt will be repaid from the
Sanitary Sewer Fund \$ 311,935

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

Series 2002 State Revolving Fund (SRF)
Sanitary Sewer, maturity date April 1,
2018, 3.5% interest. Debt is repaid from
the Sanitary Sewer Fund \$ 159,311

Series 2010 Water Revenue Bonds, interest
rate of 4%, due December 1, 2015.
Paid by the Water Fund 68,073

Series 2011 Electric Surcharge Revenue Bonds,
matures December 15, 2019, 2.5% interest
rate, payment to be financed from Electric
Fund 1,625,000

Draws on a 2013 SRF loan. Final terms and
payments are not yet determined. Loan will
be repaid by the Sewer fund 165,585

Series 2007 Electric Revenue Bond, matures
October 25, 2019, interest rate of 4.77%,
payments to be made by the Electric Fund 427,682

Total Revenue Bonds 2,757,586

Other:

Transmission Capacity Agreement with West
Central Electric Cooperative, maturity
date September, 2015 2% interest rate,
debt is repaid from the Electric Fund 10,442

Compensated Absences 41,762
These are paid from each enterprise fund.

TOTAL BUSINESS TYPE ACTIVITY 2,809,790

GRAND TOTAL \$8,872,327

The annual requirements to amortize all debt outstanding as
of December 31, 2013 excluding compensated absences is as
follows:

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

Governmental Activities:

Year Ending December 31,	<u>Revenue Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 574,769	\$ 189,530
2015	591,178	169,308
2016	609,136	155,784
2017	627,894	136,515
2018	652,230	116,504
2019-2023	979,083	433,972
2024-2028	1,021,429	296,272
2029-2033	<u>899,698</u>	<u>99,306</u>
Total	<u>\$5,955,417</u>	<u>\$1,597,191</u>

Year Ending December 31,	<u>Special Assessments</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 86,774	\$ 3,341	\$ 661,543	\$ 192,871
2015	-	-	591,178	169,308
2016	-	-	609,136	155,784
2017	-	-	627,894	136,515
2018	-	-	652,230	116,504
2019-2023	-	-	979,083	433,972
2024-2028	-	-	1,021,429	296,272
2026-2033	<u>-</u>	<u>-</u>	<u>899,698</u>	<u>99,306</u>
Total	<u>\$ 86,774</u>	<u>\$ 3,341</u>	<u>\$6,042,191</u>	<u>\$1,600,532</u>

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

BUSINESS TYPE ACTIVITIES:

Year Ending December 31,	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 397,733	\$ 101,031
2015	413,144	78,550
2016	398,827	67,532
2017	414,453	55,280
2018	403,601	41,843
2019- 2023	547,096	75,187
2024- 2028	<u>182,732</u>	<u>33,524</u>
Total	<u>\$2,757,586</u>	<u>\$ 452,947</u>

Year Ending December 31,	<u>Other</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,978	\$ 164	\$ 403,711	\$ 101,195
2015	4,464	44	417,608	78,594
2016	-	-	398,827	67,532
2017	-	-	414,453	55,280
2018	-	-	403,601	41,843
2019-2023	-	-	547,096	75,187
2024-2028	<u>-</u>	<u>-</u>	<u>182,732</u>	<u>33,524</u>
Total	<u>\$ 10,442</u>	<u>\$ 208</u>	<u>\$2,768,028</u>	<u>\$ 453,155</u>

As of December 31, 2013, the City was acting as a fiscal agent for three special assessment issues having a total outstanding balance of \$248,649.

The City is liable neither directly nor indirectly for the preceding special assessments.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

10. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2013 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 94,433
Enterprise Funds:		
Water Fund	-	121,730
Electric Fund	263,903	-
Sewer Fund	<u>-</u>	<u>47,740</u>
	<u>\$ 138,421</u>	<u>\$ 138,421</u>

The above loans were made to compensate for a temporary cash overdraft position in the Sewer and Water Funds at year-end. The "loans" above are legal transfers between funds as defined by SDCL 9-21-26.1. Since it was the City's intent to repay them as soon as possible, these legal transfers are classified as "loans."

During 2013 the U.S. Corps of Engineers Fund transferred \$310,352 to the Sewer Fund to provide assistance with flood related costs.

11. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' 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 by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

11. RETIREMENT PLAN (continued)

General employees are required by the state statute to contribute 6% of their salary to the plan. 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% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012 and 2011 were \$48,479, \$47,444 and \$52,389, respectively, equal to the required contributions each year.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2013, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance from a commercial carrier.

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

12. RISK MANAGEMENT (continued)

compensation coverage for its employees, under a retrospectively rated policy 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 \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

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

Liability:

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

The agreement with the SDPAA provides that the above coverage's 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 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

12. RISK MANAGEMENT (continued)

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

As of December 31, 2013, the City has vested balance in the cumulative reserve fund of \$29,390.

The City carries a \$500 deductible for the automobile coverage and \$2,000 deductible for the liability coverage.

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

Unemployment Benefits:

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

13. RESTRICTED NET ASSETS

The following table shows the net assets for other purposes as shown on the Statement of Net Assets:

<u>RESTRICTION</u>	<u>RESTRICTED BY</u>	<u>Amount</u>
Cemetery	Trust agreements	\$ 40,901
Debt Service	Debt Covenants	695,528
Insurance	Policy agreement	<u>29,390</u>
		<u>\$ 765,819</u>

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

14. JOINT OPERATIONS AND VENTURES

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

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

The City's interest in the facility as of December 31, 2013 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent during the construction of the facility and currently, while the City of Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2013 this joint operation had total fund equity of \$92,440.

15. STANLEY COUNTY LAW ENFORCEMENT

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

As of December 31, 2013, this joint venture had a total equity of \$71,425.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

15. STANLEY COUNTY LAW ENFORCEMENT (continued)

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

16. PLEDGED REVENUES

The City has pledged future electric customers' revenues, net of specified operating expenses, to repay \$2,052,682 in electric system revenue bonds issued in 2002 and 2007. Proceeds from the bonds provided financing for the construction of electric system improvements.

The bonds are payable solely from electric customer net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,297,787. Principal and interest paid for the current year and total customer net revenues were \$381,896 and \$682,218, respectively.

The City has also pledged future Sewer customers' revenues, net of specified operating expenses, to repay \$704,904 in sewer system revenue bonds issued in 2002, 2004, 2010 and 2013. Proceeds from the bonds provided for improvements to the sewer system.

The bonds are payable solely from sanitary sewer customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 80% of net revenues. The total principal and interest remaining to be paid on the bonds is \$912,746. Principal and interest paid for the current year and total customer net revenues were \$166,276 and \$106,276, respectively.

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amount
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$935,302	\$935,302	\$920,164
General sales and use taxes	1,102,500	1,102,500	1,080,488
Penalties and interest on delinquent taxes	3,000	3,000	3,095
Licenses and Permits	40,850	40,850	36,289
Intergovernmental Revenue			
Federal grants	0	741,520	565,633
State grants	0	270,000	251,982
State shared revenue	60,100	60,100	80,537
County shared revenues	4,444	4,444	4,444
Charges for Goods and Services			
General government	65,763	65,763	51,857
Highways and streets	38,875	38,875	40,692
Sanitation	1,500	1,500	1,788
Health	1,500	1,500	1,597
Culture and recreation	25,050	25,050	30,372
Economic Development	0	0	367,628
Fines and Forfeits			
Court fines	750	750	221
Other	750	750	775
Miscellaneous Revenue			
Investment earnings	35,000	35,000	4,703
Special assessments	66,997	66,997	187,484
Contributions	0	20,000	20,227
Other	23,000	23,000	25,975
Total Revenue	\$2,405,381	\$3,436,901	\$3,675,951

The accompanying notes to required supplemental information
are an integral part of this schedule.

	(\$15,138)
	(22,012)
	95
	(4,561)
	(175,887)
	(18,018)
	20,437
	0
	(13,906)
	1,817
	288
	97
	5,322
	367,628
	(529)
	25
	(30,297)
	120,487
	227
	2,975
	\$239,050

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amount
	Original	Final	
EXPENDITURES:			
General Government			
Executive	\$53,972	\$53,972	\$49,917
Elections	1,150	2,000	1,978
Financial administration	189,546	242,046	231,721
Other	46,219	46,219	45,645
Public Safety			
Police	285,400	285,400	269,886
Fire	81,289	81,289	81,160
Other	20,852	20,852	17,022
Public Works			
Highways and streets	940,523	5,031,523	4,045,781
Sanitation	49,230	49,230	43,030
Transit	24,000	24,000	24,000
Health and Welfare			
Health	36,190	36,190	26,391
Culture and Recreation			
Recreation	93,664	102,664	100,757
Parks	224,711	244,711	243,469
Libraries	9,122	9,122	9,122
Auditorium	5,800	10,800	8,239
Museum	7,825	132,825	130,857
Conservation and Development			
Economic development	500	137,500	136,030
Debt Service	458,813	588,813	588,590
Total Expenditures	\$2,528,806	\$7,099,156	\$6,053,595

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with Final Budget- Positive (Negative)
\$4,055
22
10,325
574
15,514
129
3,830
985,742
6,200
0
9,799
1,907
1,242
0
2,561
1,968
1,470
223
<u>\$1,045,561</u>

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>
Excess of Revenues over (under) Expenditures	(\$123,425)	(\$3,662,255)	(\$2,377,644)
Other Financing Sources:			
Proceeds of long-term debt	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
Net change in Fund Balances	(123,425)	(2,662,255)	(1,377,644)
FUND BALANCE-Beginning	<u>1,958,384</u>	<u>1,958,384</u>	<u>1,958,384</u>
FUND BALANCE-Ending	<u><u>\$1,834,959</u></u>	<u><u>(\$703,871)</u></u>	<u><u>\$580,740</u></u>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$1,284,611

0

1,284,611

0

\$1,284,611

CITY OF FORT PIERRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

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

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 to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting practices (GAAP).

CITY OF FORT PIERRE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/Pass through Grantor Program Title	Federal CFDA Number	Pass through Grantor's Number	Expenditures
DEPARTMENT OF DEFENSE - CORPS OF ENGINEERS			
Direct Federal Funding:			
Construction Relocation & Alteration of Facilities (Note 2)	12.000	N/A	\$310,352
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Indirect Federal Funding:			
S.D. Governor's Office of Economic Development, Community Development Block Grant	14.228	N/A	65,800
U.S. DEPARTMENT OF INTERIOR:			
Indirect Federal Funding:			
S.D. Department of Game, Fish and Parks Historic Preservation	15.904	N/A	4,000
U.S. DEPARTMENT OF TRANSPORTATION:			
Indirect Federal Funding:			
S. D. Department of Transportation Highway Planning and Construction Grant	20.205	N/A	123,020
Department of Homeland Security:			
Indirect Federal Funding:			
S.D. Department of Public Safety Office of Emergency Management Disaster Grant-Public Assistance (Note 2)	97.036	N/A	438,613
GRAND TOTAL			\$941,785

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: This represents a Major Federal Assistance Program.

CITY OF FORT PIERRE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

1. SUMMARY OF AUDITOR'S RESULTS

- a. An unmodified opinion was issued on the financial statements.
- b. A material weakness was disclosed by the audit and is reported in Section 2, Finding Number 2013-001.
- c. No instances of noncompliance were noted by the audit.
- d. A material weakness in internal control over major programs was noted. It is reported below in Section 3, Finding Number 2013-002.
- e. An unmodified report was issued on compliance for major programs.
- f. Audit findings required to be reported under Section .510(a) of OMB Circular A-133 are listed below as Findings Number 2013-001 and 2013-002.
- g. Programs treated as major programs for this audit were:

<u>Name</u>	<u>CFDA Number</u>
Construction Relocation and Alteration of Facilities	12.000
Disaster Grant- Public Assistance	97.036

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The entity was not qualified as a low risk auditee as described in Section .530 of OMB Circular A-133.

CITY OF FORT PIERRE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

2. FINANCIAL STATEMENT FINDINGS

FINDING NUMBER 2013-001:

A significant deficiency and material weakness is present due to a lack of segregation of duties in the revenue, expenditure and payroll functions.

CRITERIA:

To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

POSSIBLE ASSERTED EFFECT:

Inaccurate financial statements and/or misappropriations of funds could result from a lack of segregation on duties.

RECOMMENDATION:

Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

CITY RESPONSE:

The City officials agree with this comment. The Mayor and City Commission are responsible for the corrective action plans for this comment. This comment is a result of the size of the City of Fort Pierre which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Fort Pierre management is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll function continues to exist.

CITY OF FORT PIERRE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER 2013-002:

A material weakness in internal control over federal programs exists due to a lack of segregation of duties. See Finding Number 2012-01 above for further explanation.

Major Federal Programs affected: See 1g above. All programs treated as majors were effected.

Compliance requirements affected: Allowable costs/cost principles.

POSSIBLE ASSERTED EFFECT:

Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

RECOMMENDATION:

Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

CITY RESPONSE AND CORRECTIVE ACTION PLAN:

The City Commissioners agree with this finding and are responsible for the corrective action plan. This comment is a result of the size of the City of Fort Pierre which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Fort Pierre has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for the revenue, expenditures and payroll functions. The City of Fort Pierre is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll functions continues to exist.

CITY OF FORT PIERRE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding NUMBER 2012-01, 2012-02, 2011-01 and 2011-02:

A material weakness was reported due to a lack of segregation of duties.

Status as of December 31, 2013:

The condition noted in prior audits is still applicable.