

***CITY OF FORT PIERRE***  
***AUDIT REPORT***  
***AND***  
***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2014***

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

**To the Governing Board  
City of Fort Pierre, South Dakota**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Fort Pierre, South Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2015.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

*Purpose of this Report*

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

A handwritten signature in black ink, appearing to read "CLO of LLC". The signature is written in a cursive, somewhat stylized font.

Chamberlain, South Dakota  
August 30, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

**To the Governing Board  
City of Fort Pierre, South Dakota**

*Report on Compliance for Each Major Federal Program*

We have audited the City of Fort Pierre, South Dakota's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Fort Pierre, South Dakota's major federal programs for the year ended December 31, 2014. The City of Fort Pierre, South Dakota's major programs are identified in the summary of auditor's results section of the accompanying schedule of 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*

Our responsibility is to express an opinion on compliance for each of the City of Fort Pierre, South Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fort Pierre, South Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on Each Major Federal Program*

In our opinion, the City of Fort Pierre, South Dakota, 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, 2014.

*Report on Internal Control Over Compliance*

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "CIO of LLC".

Chamberlain, South Dakota  
August 30, 2015

**CITY OF FORT PIERRE**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**Schedule of Prior Audit Findings**

**Finding No. 2013-001 – Lack of segregation of duties in the revenue, expenditure and payroll functions**

**Condition:** The duties of collection and handling of cash and recording of cash transactions, preparing, mailing or otherwise distributing checks, and various other accounting functions should be segregated and be performed by different people to insure proper segregation of duties.

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

**Current Status:** The City hired a full time assistant finance officer and has a full time administrative assistant to segregate the duties described above.

**Finding No. 2013-002 – Lack of segregation of duties in the control over federal programs**

**Condition:** The processing of allowable costs/cost principles in the application of federal programs due to 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.

**Current Status:** The City hired a full time assistant finance officer and has a full time administrative assistant to segregate the duties described above.

**CITY OF FORT PIERRE**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**Schedule of Current Audit Findings**  
**Section I – Summary of Independent Auditor’s Results**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified:                    yes       X       none reported

Significant deficiencies identified that are not considered to be material weakness(es)?                    yes       X       none reported

Noncompliance material to financial statements noted?                    yes       X       no

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?                    yes       X       no

Significant deficiencies identified that are not considered to be material weakness(es)?                    yes       X       none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?                    yes       X       no

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Economic Development Block Grant
20.205	Department of Transportation Highway Construction

Dollar threshold used to distinguish between type A and type B programs:                    \$                    300,000

Auditee qualified as low-risk auditee?                    Yes       X       No



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Governing Board  
City of Fort Pierre, South Dakota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fort Pierre, South Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Fort Pierre, South Dakota, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Chamberlain, South Dakota  
August 30, 2015

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	<i>Primary Government</i>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,225,154	\$ 1,021,342	\$ 2,246,496
Accounts receivable, net	477,994	363,998	841,992
Internal balances	(96,284)	96,284	--
Inventories	39,005	491,405	530,410
Land held for resale	175,023	--	175,023
Restricted assets:			
Investments	324,552	594,982	919,534
Deposits	29,390	89,162	118,552
Capital assets:			
Land	973,462	163,577	1,137,039
Other capital assets, net of depreciation	<u>13,957,406</u>	<u>12,310,481</u>	<u>26,267,887</u>
<i>Total Assets</i>	<u>\$ 17,105,702</u>	<u>\$ 15,131,231</u>	<u>\$ 32,236,933</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 125,782	\$ 212,096	\$ 337,878
Other current liabilities	263,006	97,982	360,988
Noncurrent liabilities:			
Due within one year	399,460	427,737	827,197
Due in more than one year	<u>6,647,509</u>	<u>2,154,508</u>	<u>8,802,017</u>
<i>Total Liabilities</i>	<u>\$ 7,435,757</u>	<u>\$ 2,892,323</u>	<u>\$ 10,328,080</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,883,899	9,891,813	17,775,712
Nonspendable	42,866	--	42,866
Restricted for:			
Debt service	539,681	684,144	1,223,825
Insurance	29,390	--	29,390
Unrestricted	<u>1,174,109</u>	<u>1,662,951</u>	<u>2,837,060</u>
<i>Total Net Position</i>	<u>\$ 9,669,945</u>	<u>\$ 12,238,908</u>	<u>\$ 21,908,853</u>

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

**CITY OF FORT PIERRE, SD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
General government	\$ 314,008	\$ 105,472	\$ 85,127	\$ 216,381	\$ 92,972	\$ --	\$ 92,972
Public safety	375,039	629	--	265,847	(108,563)	--	(108,563)
Public works	758,970	39,848	--	4,000	(715,122)	--	(715,122)
Health and welfare	25,436	600	--	--	(24,836)	--	(24,836)
Culture and recreation	770,946	38,230	--	--	(732,716)	--	(732,716)
Conservation and development	211,760	251,598	--	228,650	268,488	--	268,488
Debt service	752,498	--	--	--	(752,498)	--	(752,498)
<i>Total Governmental Activities</i>	<u>3,208,657</u>	<u>436,377</u>	<u>85,127</u>	<u>714,878</u>	<u>(1,972,275)</u>	<u>--</u>	<u>(1,972,275)</u>
<i>Business-type Activities:</i>							
Water	441,884	597,739	--	6,298	--	162,153	162,153
Electric	2,124,554	2,604,789	--	(129,823)	--	350,412	350,412
Sewer	444,757	419,781	100,415	(47,519)	--	27,920	27,920
<i>Total Business-Type Activities</i>	<u>3,011,195</u>	<u>3,622,309</u>	<u>100,415</u>	<u>(171,044)</u>	<u>--</u>	<u>540,485</u>	<u>540,485</u>
<i>Total Primary Government</i>	<u>\$ 6,219,852</u>	<u>\$ 4,058,686</u>	<u>\$ 185,542</u>	<u>\$ 543,834</u>	<u>\$ (1,972,275)</u>	<u>\$ 540,485</u>	<u>\$ (1,431,790)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					1,108,873	--	1,108,873
Sales tax					1,237,798	--	1,237,798
State shared revenues					86,376	--	86,376
Unrestricted investment earnings					3,399	4,755	8,154
Miscellaneous revenue					281,375	7,361	288,736
<i>Special items:</i>							
Gain on Sale					30,557	--	30,557
<i>Total General Revenues and Transfers</i>					<u>2,748,378</u>	<u>12,116</u>	<u>2,760,494</u>
<i>Change in Net position</i>					<u>776,103</u>	<u>552,601</u>	<u>1,328,704</u>
<i>Net Position-Beginning of Year</i>					<u>8,893,842</u>	<u>11,686,307</u>	<u>20,580,149</u>
<i>Net position-End of Year</i>					<u>\$ 9,669,945</u>	<u>\$ 12,238,908</u>	<u>\$ 21,908,853</u>

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

**CITY OF FORT PIERRE, SD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General Fund</u>	<u>US COE Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 960,038	\$ 162,128	\$ 102,988	\$ 1,225,154
Taxes receivable:				
Delinquent	46,780	--	--	46,780
Accounts receivable	23,376	--	--	23,376
Special assessments receivable-current	639	--	--	639
Special assessments receivable-delinquent	1,870	--	1,431	3,301
Special assessments receivable-deferred	215,883	--	--	215,883
Due from other governments	177,958	--	10,057	188,015
Supply inventory	39,005	--	--	39,005
Land held for resale	175,023	--	--	175,023
Restricted investments	353,942	--	--	353,942
<i>Total Assets</i>	<u>\$ 1,994,514</u>	<u>\$ 162,128</u>	<u>\$ 114,476</u>	<u>\$ 2,271,118</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 117,090	\$ --	\$ 8,692	\$ 125,782
Accrued wages payable	4,746	--	--	4,746
Amount held for others	(152)	--	--	(152)
Due to electric fund	96,284	--	--	96,284
Unearned revenue	--	162,128	--	162,128
<i>Total Liabilities</i>	<u>217,968</u>	<u>162,128</u>	<u>8,692</u>	<u>388,788</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Property taxes	46,781	--	--	46,781
Special assessments	218,392	--	1,431	219,823
<i>Total Deferred Inflows of Resources</i>	<u>265,173</u>	<u>--</u>	<u>1,431</u>	<u>266,604</u>
<b>FUND BALANCES</b>				
Nonspendable	263,249	--	31,927	295,176
Restricted	535,940	--	72,426	608,366
Unassigned	712,184	--	--	712,184
<i>Total Fund Balances</i>	<u>1,511,373</u>	<u>--</u>	<u>104,353</u>	<u>1,615,726</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,994,514</u>	<u>\$ 162,128</u>	<u>\$ 114,476</u>	<u>\$ 2,271,118</u>

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

**CITY OF FORT PIERRE, SD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

*Total Fund Balances - Government Funds* \$ 1,615,726

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. 14,930,868

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. (7,046,969)

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 and the statement "available" (within a 30 day period) are offset with unavailable revenue. 170,320

*Net Position - Governmental Funds* \$ 9,669,945

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

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Revenues:</i>				
<b>Taxes</b>				
General property taxes	\$ 976,179	\$ --	\$ 127,244	\$ 1,103,423
General sales taxes	1,141,884	--	95,914	1,237,798
Amusement taxes	444	--	--	444
Penalties and interest	4,108	--	898	5,006
Licenses and permits	57,330	--	--	57,330
<b>Intergovernmental revenue</b>				
Federal grants	714,878	--	--	714,878
State grants	85,127	--	--	85,127
State shared revenues	86,376	--	--	86,376
County shared revenues	4,444	--	--	4,444
<b>Charges for goods and services</b>				
General government	48,142	--	--	48,142
Highways and streets	37,033	--	--	37,033
Sanitation	2,815	--	--	2,815
Health	600	--	--	600
Culture and recreation	38,230	--	--	38,230
Economic development	251,598	--	--	251,598
<b>Fines and forfeits</b>				
Court fines and costs	179	--	--	179
Parking fines	450	--	--	450
<b>Miscellaneous revenue</b>				
Investment earnings	1,836	--	1,565	3,401
Special assessments	119,356	--	400	119,756
Contributions	--	--	63,292	63,292
Other	93,883	--	--	93,883
<b>Total Revenue</b>	<u>3,664,892</u>	<u>--</u>	<u>289,313</u>	<u>3,954,205</u>

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

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(CONTINUED)**

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General government:</i>				
Executive	65,987	--	--	65,987
Elections	917	--	--	917
Financial administration	204,289	--	--	204,289
Planning and zoning	42,815	--	--	42,815
<i>Public safety:</i>				
Police	272,099	--	--	272,099
Fire	19,575	--	--	19,575
Building inspection	83,085	--	--	83,085
Other	280	--	--	280
<i>Public works:</i>				
Highways and streets	1,961,403	--	--	1,961,403
Sanitation	32,977	--	--	32,977
Transit	26,000	--	--	26,000
<i>Health and welfare:</i>				
Health	25,436	--	--	25,436
<i>Culture and recreation:</i>				
Recreation	98,940	--	--	98,940
Parks	345,305	--	--	345,305
Library	9,309	--	--	9,309
Expo building	3,870	--	--	3,870
Cultural arts	5,800	--	--	5,800
Museum	307,722	--	--	307,722
<i>Conservation and development:</i>				
Dues and fees	--	--	1,484	1,484
Economic development and assistance (industrial development)	47,060	--	163,216	210,276
Debt service	610,816	--	141,682	752,498
<i>Total Expenditures</i>	<u>4,163,685</u>	<u>--</u>	<u>306,382</u>	<u>4,470,067</u>
<i>Excess of Revenues Over (Under)</i>				
Expenditures	<u>(498,793)</u>	<u>--</u>	<u>(17,069)</u>	<u>(515,862)</u>
<i>Other Financing Sources:</i>				
Sale of Municipal property	30,557	--	--	30,557
Long-term debt issued	1,573,861	--	--	1,573,861
<i>Total Other Financing Sources</i>	<u>1,604,418</u>	<u>--</u>	<u>--</u>	<u>1,604,418</u>
<i>Other Change in Fund Balances:</i>				
Net of change in inventory	(82,385)	--	--	(82,385)
Other fund balance change	3,680	32	(10,000)	(6,288)
<i>Net Change in Fund Balance</i>	1,026,920	32	(27,069)	999,883
<i>FUND BALANCES - Beginning of Year</i>	580,740	162,096	131,422	874,258
<i>FUND BALANCES - End of Year</i>	<u>\$ 1,607,660</u>	<u>\$ 162,128</u>	<u>\$ 104,353</u>	<u>\$ 1,874,141</u>

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

**CITY OF FORT PIERRE, SD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*Net Change in Fund Balances - Total Government Funds* \$ 999,883

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 outlay exceeded depreciation in the current period. 1,797,591

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 752,498

Proceeds of long-term debt is reported as revenue in the funds statement, but is an increase in liabilities in the statement of activities. (2,500,000)

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 government funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset unavailable revenue. (191,557)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (6,213)

Prepaid insurance cost is expensed in the activities statement and change in inventory and other fund balance changes. (76,099)

*Change in Net Position of Governmental Activities* \$ 776,103

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

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2014**

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 158,891	\$ 791,191	\$ 71,260	\$ 1,021,342
Accounts receivable	46,486	276,704	40,057	363,247
Due from other government	751	--	--	751
Supply inventory	118,439	364,152	8,814	491,405
Due from other funds	--	96,284	--	96,284
<i>Total Current Assets</i>	<u>324,567</u>	<u>1,528,331</u>	<u>120,131</u>	<u>1,973,029</u>
<i>Noncurrent Assets:</i>				
Restricted investments	4,000	648,996	31,148	684,144
<i>Capital assets:</i>				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	4,030,120	--	4,781,926
Improvements other than buildings	2,507,488	4,207,043	8,020,863	14,735,394
Machinery and equipment	75,784	342,873	304,483	723,140
Accumulated depreciation	(1,954,932)	(3,014,207)	(2,960,840)	(7,929,979)
<i>Total Non-Current Assets</i>	<u>1,411,733</u>	<u>6,330,824</u>	<u>5,415,645</u>	<u>13,158,202</u>
<i>Total Assets</i>	<u>\$ 1,736,300</u>	<u>\$ 7,859,155</u>	<u>\$ 5,535,776</u>	<u>\$ 15,131,231</u>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 14,478	\$ 192,716	\$ 4,902	\$ 212,096
Accrued wages	1,854	4,491	1,340	7,685
Customer deposits	4,000	85,162	--	89,162
Unearned revenue	1,135	--	--	1,135
Current portion of long term debt	--	331,987	95,752	427,739
<i>Total Current Liabilities</i>	<u>21,467</u>	<u>614,356</u>	<u>101,994</u>	<u>737,817</u>
<i>Noncurrent Liabilities:</i>				
<i>Bonds payable:</i>				
Revenue	--	1,544,710	570,489	2,115,199
Accrued leave payable	8,930	21,445	8,932	39,307
<i>Total Non-Current Liabilities</i>	<u>8,930</u>	<u>1,566,155</u>	<u>579,421</u>	<u>2,154,506</u>
<i>Total Liabilities</i>	<u>30,397</u>	<u>2,180,511</u>	<u>681,415</u>	<u>2,892,323</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,407,734	3,805,131	4,718,256	9,931,121
<i>Restricted net position restricted for:</i>				
Revenue bond service	4,000	648,996	31,148	684,144
Unrestricted net position	294,169	1,224,517	104,957	1,623,643
<i>Total Net Position</i>	<u>1,705,903</u>	<u>5,678,644</u>	<u>4,854,361</u>	<u>12,238,908</u>

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

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>Operating Revenues:</i>				
Charges for goods and services	\$ 597,739	\$ 2,604,789	\$ 419,781	\$ 3,622,309
<i>Total Operating Revenues</i>	<u>597,739</u>	<u>2,604,789</u>	<u>419,781</u>	<u>3,622,309</u>
<i>Operating Expenses:</i>				
Personal services	129,434	314,215	84,878	528,527
Other current expense	38,573	214,782	75,322	328,677
Materials	187,077	1,343,426	--	1,530,503
Depreciation	86,800	183,446	261,016	531,262
<i>Total Operating Expenses</i>	<u>441,884</u>	<u>2,055,869</u>	<u>421,216</u>	<u>2,918,969</u>
<i>Operating Income (Loss)</i>	<u>155,855</u>	<u>548,920</u>	<u>(1,435)</u>	<u>703,340</u>
<i>Nonoperating Revenues:</i>				
Investment income	--	2,456	--	2,456
Rentals	--	95	--	95
Miscellaneous	1,390	521	293	2,204
Capital Grants	--	--	100,415	100,415
Interest expense	--	(67,699)	(23,250)	(90,949)
Bad debt	(143)	(986)	(148)	(1,277)
Compensation for loss/damange	--	7,361	--	7,361
<i>Total Nonoperating Revenue</i>	<u>1,247</u>	<u>(58,252)</u>	<u>77,310</u>	<u>20,305</u>
<i>Net Income (Loss) Before Transfers</i>	157,102	490,668	75,875	723,645
<i>Capital contributions</i>	<u>6,298</u>	<u>(129,823)</u>	<u>(47,519)</u>	<u>(171,044)</u>
<i>Net Change in Fund Balance</i>	163,400	360,845	28,356	552,601
<i>Fund Balance - Beginning of Year</i>	<u>1,542,503</u>	<u>5,317,799</u>	<u>4,826,005</u>	<u>11,686,307</u>
<i>Fund Balance - End of Year</i>	<u>\$ 1,705,903</u>	<u>\$ 5,678,644</u>	<u>\$ 4,854,361</u>	<u>\$ 12,238,908</u>

*The accompanying notes to financial statements*

*are an integral part of this statement.*

**CITY OF FORT PIERRE, SD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipt from customers	\$ 598,568	\$ 2,600,216	\$ 419,781	\$ 3,618,565
Payments to suppliers	(225,650)	(1,558,208)	(75,322)	(1,859,180)
Payments to employees	(129,434)	(314,215)	(84,878)	(528,527)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	<u>243,484</u>	<u>727,793</u>	<u>259,581</u>	<u>1,230,858</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Loans (to) from other funds	--	96,284	--	96,284
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>--</u>	<u>96,284</u>	<u>--</u>	<u>96,284</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	6,298	(122,462)	(47,519)	(163,683)
Proceeds of capital grants	--	129,824	100,415	230,239
Purchase of capital assets	(86,890)	(117,785)	(83,384)	(288,059)
Debt principal paid	--	(316,250)	(89,583)	(405,833)
Debt interest paid	--	(51,603)	(37,102)	(88,705)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	<u>(80,592)</u>	<u>(478,276)</u>	<u>(157,173)</u>	<u>(716,041)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest earnings	--	2,456	--	2,456
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>--</u>	<u>2,456</u>	<u>--</u>	<u>2,456</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>162,892</u>	<u>348,257</u>	<u>102,408</u>	<u>613,557</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>--</u>	<u>1,091,929</u>	<u>--</u>	<u>1,091,929</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>162,892</u>	<u>1,440,186</u>	<u>102,408</u>	<u>1,705,486</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 155,855	\$ 548,920	\$ (1,435)	\$ 703,340
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	86,800	183,446	261,016	531,262
(Increase) decrease in:				
Receivables	(3,009)	16,673	2,079	15,743
Inventories	7,181	(32,254)	1,389	(23,684)
Increase (decrease) in:				
Accounts and other payables	(7,356)	6,028	(7,965)	(9,293)
Accrued leave payable	4,497	9,553	4,497	18,547
Deposits	(484)	(4,573)	--	(5,057)
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 243,484</u>	<u>\$ 727,793</u>	<u>\$ 259,581</u>	<u>\$ 1,230,858</u>

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

**CITY OF FORT PIERRE, SD  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2014**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$     45,322
 <b>TOTAL ASSETS</b>	 <b>45,322</b>
 <b>LIABILITIES:</b>	
Amounts held for others	45,322
 <b>Total Liabilities</b>	 <b>45,322</b>
 <b>NET POSITION</b>	 <b>\$           --</b>

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

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

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

b. *Basis of Presentation:*

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

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

b. *Basis of Presentation: (continued)*

**Fund Financial Statements: (continued)**

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

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

**Governmental Funds:**

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

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

**Entertainment Tax Fund** – To account for a 3<sup>rd</sup> 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 project 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.

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

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

b. *Basis of Presentation: (continued)*

**Fund Financial Statements: (continued)**

**Governmental Funds: (continued)**

**“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.**

**Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the 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 are permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.**

**Proprietary Funds:**

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

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

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

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

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

b. *Basis of Presentation: (continued)*

**Fund Financial Statements: (continued)**

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

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

**Fiduciary Funds:**

Agency Funds – Agency funds are 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-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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

**Basis of Accounting:**

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type 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).

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

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

c. *Measurement Focus and Basis of Accounting: (continued)*

**Basis of Accounting: (continued)**

**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 that cycle is 60 days. The revenues which are accrued at December 31, 2014 are sales tax, real estate taxes, state-shared revenues, and miscellaneous other revenues.

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

All proprietary 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.

**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 “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”.

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

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

e. *Deposits and Investments:*

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

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

f. *Capital Assets:*

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

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

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

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

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

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

f. Capital Assets: *(continued)*

**Government-Wide Financial 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, 2014 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, 2014 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 Position and on each proprietary fund's Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>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
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

Land, an inexhaustible capital asset, is not depreciated.

**Fund Financial Statements:**

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

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

g. *Long-Term Liabilities:*

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

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

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

h. *Program Revenues:*

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

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

i. *Deferred Inflows of Resources:*

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

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

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

**j. Proprietary Funds Revenue and Expense Classifications:**

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

**k. Cash and Cash Equivalents:**

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

**l. Equity Classifications:**

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

**Restricted** – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

**Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Finance Officer.

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

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

**Fund Financial Statements:** (continued)

A schedule of fund balances is provided as follows:

*SUMMARY OF FUND BALANCES*  
*December 31, 2014*

	<i>General Fund</i>	<i>Other Governmental Funds</i>
<b>Non-spendable:</b>		
SDPAA Deposits	\$ 29,390	\$ --
Cemetery	--	31,927
Supply Inventory	214,028	--
Expo Building	19,831	--
	263,249	31,927
 <b>Restricted:</b>		--
Debt Services	478,194	72,426
Fire Hall	30,000	--
Park	27,746	--
	535,940	72,426
 <b>Unassigned</b>	712,184	--
 <b>Total</b>	\$ 1,511,373	\$ 104,353

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

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

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

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. None of the City's deposits were exposed to the risks above as of December 31, 2014.

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

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

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

**3. RECEIVABLES AND PAYABLES:**

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

**4. RESTRICTED CASH AND INVESTMENTS:**

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

**5. *INVENTORY:***

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

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

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

**Government-Wide Financial Statements:**

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

**Fund Financial Statements:**

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

**6. *UNEARNED REVENUE:***

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. Unearned revenues are those where asset recognition criteria have been met but which revenue recognition criteria have not been met.

**7. *PROPERTY TAXES:***

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**8. CHANGES IN CAPITAL ASSETS:**

A summary of changes in capital assets for the year ended December 31, 2014 is as follows:

**Governmental Activities:**

	<u>Balance</u> <u>1/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2014</u>
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated</b>				
<b>Land</b>	\$ 973,462	\$ --	\$ --	\$ 973,462
<b>Total, not being depreciated</b>	<u>973,462</u>	<u>--</u>	<u>--</u>	<u>973,462</u>
<b>Capital assets, being depreciated</b>				
<b>Buildings</b>	533,364	--	--	533,364
<b>Improvements</b>	15,292,854	1,803,198	22,885	17,073,167
<b>Equipment</b>	951,047	33,212	15,934	968,325
<b>Total, being depreciated</b>	<u>16,777,265</u>	<u>1,836,410</u>	<u>38,819</u>	<u>18,574,856</u>
<b>Less accumulated depreciation for:</b>				
<b>Buildings</b>	245,751	12,842	--	258,593
<b>Improvements</b>	3,195,558	637,726	77,007	3,756,277
<b>Equipment</b>	551,922	50,658	--	602,580
<b>Total accumulated depreciation</b>	<u>3,993,231</u>	<u>701,226</u>	<u>77,007</u>	<u>4,617,450</u>
<b>Capital Assets Net</b>	<u>\$ 13,757,496</u>	<u>\$ 1,135,184</u>	<u>\$ (38,188)</u>	<u>\$ 14,930,868</u>

**Depreciation expense was charged to functions as follows:**

<b>General Government</b>	\$ 575
<b>Public Safety</b>	14,375
<b>Public Works</b>	589,031
<b>Culture and Recreation</b>	97,245
	<u>\$ 701,226</u>

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**8. CHANGES IN CAPITAL ASSETS: (continued)**

**Business-Type Activities:**

	<i>Balance 1/1/2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 12/31/2014</i>
<b>Business-Type Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 163,576	\$ --	\$ --	\$ 163,576
<b>Total, not being depreciated</b>	<u>163,576</u>	<u>--</u>	<u>--</u>	<u>163,576</u>
<b>Capital assets, being depreciated:</b>				
Buildings	4,554,702	227,224	--	4,781,926
Improvements	14,591,699	522,480	378,786	14,735,393
Equipment	713,580	9,560	--	723,140
<b>Total, being depreciated</b>	<u>19,859,981</u>	<u>759,264</u>	<u>378,786</u>	<u>20,240,459</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,640,014	77,767	--	1,717,781
Improvements	5,248,318	431,128	--	5,679,446
Equipment	510,383	22,368	--	532,751
<b>Total accumulated depreciation</b>	<u>7,398,715</u>	<u>531,263</u>	<u>--</u>	<u>7,929,978</u>
<b>Capital Assets Net</b>	<u>\$ 12,624,842</u>	<u>\$ 228,001</u>	<u>\$ 378,786</u>	<u>\$ 12,474,057</u>

**Depreciation expense was charged to functions as follows:**

Water	\$ 86,800
Electric	183,446
Sanitary Sewer	261,016
<b>Total Depreciation Expense -     Business-Type Activities</b>	<u>\$ 531,262</u>

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**9. LONG-TERM DEBT:**

A summary of changes in long-term debt follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<i>Primary Government</i>					
<b>Government Activities:</b>					
<b>Bonds Payable:</b>					
Revenue	\$ 5,500,701	\$ 2,500,000	\$ 1,325,423	\$ 6,675,279	\$ 330,760
Special Assessment	86,774	--	86,774	--	--
<b>Notes Payable:</b>					
Revenue	454,716	--	109,586	345,130	68,700
<i>Total Debt</i>	<u>6,042,191</u>	<u>2,500,000</u>	<u>1,521,783</u>	<u>7,020,409</u>	<u>399,460</u>
Accrued Leave	20,346	--	--	26,559	13,300
<i>Total Governmental Activities</i>	<u>\$ 6,062,537</u>	<u>\$ 2,500,000</u>	<u>\$ 1,521,783</u>	<u>\$ 7,046,968</u>	<u>\$ 412,760</u>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
Revenue	\$ 2,757,586	\$ 180,742	\$ 399,854	\$ 2,538,474	\$ 397,733
Other	10,442	--	5,978	4,464	5,978
<i>Total Debt</i>	<u>2,768,028</u>	<u>180,742</u>	<u>405,832</u>	<u>2,542,938</u>	<u>403,711</u>
Governmental Funds	41,762	--	2,453	39,309	21,000
<i>Total Business-Type     Activities</i>	<u>2,809,790</u>	<u>180,742</u>	<u>408,285</u>	<u>2,582,247</u>	<u>424,711</u>
<i>Total Primary Government</i>	<u>\$ 8,872,327</u>	<u>\$ 2,680,742</u>	<u>\$ 1,930,068</u>	<u>\$ 9,629,215</u>	<u>\$ 837,471</u>

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**9. LONG-TERM DEBT: (continued)**

Debt payable at December 31, 2014, is comprised of the following:

**Government Activity Debt:**

**Governmental Activities:**

**Revenue bonds:**

State Revolving Fund (SRF), Series 2010 Drainage ditch project	3% fixed; matures and final payment due December 14, 2020. This debt is serviced by the General Fund.	\$ 445,279
Series 2012 Sales Tax Revenue Bonds Street projects and refunding	.85% - 4.593%; depending on length to maturity of individual bonds, final payment due December 1, 2032 This debt is serviced by the General Fund.	3,730,000
Financing (American State Bank) Street repairs	Variable rate; final payment due May 1, 2034. This debt is serviced by the General Fund.	<u>2,500,000</u>
<i>Total Revenue Debt</i>		<u>6,675,279</u>
Series 2007 TIF No. 2 Bonds	7.32% fixed; bond matures and final payment due December 1, 2019. This debt is serviced by TIF District #2 property tax.	345,130
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2014. This debt is serviced by the General Fund.	<u>26,559</u>
<i>Total Governmental Activities Debt</i>		<u>7,046,968</u>

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**9. LONG-TERM DEBT: (continued)**

**Business Activity Debt:**

**Business-type Activities:**

**Revenue bonds:**

Series 2004 State Revolving Fund	3.5%; matures June 1, 2016. This debt will be repaid from the Sanitary Sewer Fund.	291,683
Series 2002 State Revolving Fund	3.5%; matures April 1, 2018. This debt will be repaid from the Sanitary Sewer Fund.	124,659
Series 2007 Electric Revenue Bond	4.77%; matures October 1, 2019. This debt will be repaid from the Electric Fund.	364,532
Series 2010 Water Revenue Bond	4.0%; matures December 1, 2015. This debt will be repaid from the Sanitary Sewer Fund.	34,711
Series 2011 Electric Surcharge Bond	2.75%; matures December 1, 2019. This debt will be repaid from the Electric Fund.	1,380,000
Series 2014 State Revolving Fund	3.25%; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund.	215,187
Financing (Capital Acquisition) West Central Irv Simmons Substation	4.0%; matures August 1, 2029. This debt will be repaid by the Electric Fund.	127,702
<i>Total Revenue Debt</i>		2,538,474
Financing (Capital Acquisition) West Central Capacity Agreement	2.0%; matures September 1, 2015. This debt will be repaid by the Electric Fund.	4,464
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2014. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.	39,309
<i>Total Business Activity Debt</i>		2,582,247
<i>Grand Total</i>		\$ 9,629,215

**CITY OF FORT PIERRE, SD**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**9. LONG-TERM DEBT: (continued)**

The annual requirements to amortize all debt outstanding as of December 31, 2014, excluding compensated absences are as follows:

**Governmental Activities:**

<i>Years Ending Dec. 31,</i>	<i>Revenue Bonds</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2015	\$ 591,178	\$ 189,530	\$ 591,178	\$ 189,530
2016	609,136	169,308	609,136	169,308
2017	627,894	155,784	627,894	155,784
2018	652,230	136,515	652,230	136,515
2019	667,996	116,504	667,996	116,504
2020-2044	3,898,534	829,550	3,898,534	829,550
<b>TOTAL</b>	<b>\$ 7,046,968</b>	<b>\$ 1,597,191</b>	<b>\$ 7,046,968</b>	<b>\$ 1,597,191</b>

**Business-Type Activities:**

<i>Years Ending Dec. 31,</i>	<i>Revenue Bonds</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2015	\$ 378,299	\$ 78,240	\$ 378,299	\$ 378,299
2016	398,827	67,532	398,827	398,827
2017	414,453	55,280	414,453	414,453
2018	403,601	41,843	403,601	403,601
2109	319,985	11,123	319,985	319,985
2020-2024	627,772	108,711	627,772	627,772
<b>TOTAL</b>	<b>\$ 2,542,937</b>	<b>\$ 362,729</b>	<b>\$ 2,542,937</b>	<b>\$ 2,542,937</b>

As of December 31, 2014, the City was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$169,442.

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

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

**10. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:**

Interfund receivable and payable balances at December 31, 2014 were:

<b>Inferfund</b>	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
<b>General Fund</b>	\$ --	\$ 96,284
<b>Enterprise Funds:</b>		
<b>Electric</b>	96,284	--
	<u>\$ 96,284</u>	<u>\$ 96,284</u>

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”.

**11. RETIREMENT PLAN:**

All employees, except for part-time employees, 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 survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$51,348, \$48,479, and \$47,444, respectively, equal to the required contributions each year.

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

**12. RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the City managed its risks as follows:

**Employee Health Insurance:**

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

**Worker's Compensation:**

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$260,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

**Liability Insurance:**

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

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

12. *RISK MANAGEMENT: (continued)*

**Liability Insurance: (continued)**

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

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

As of December 31, 2014, the City has vested balance in the cumulative reserve fund of \$29,390.

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

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

**Unemployment Benefits:**

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

13. *RESTRICTED NET POSITION:*

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

<u>Amount:</u>	<u>Purpose:</u>
<u>\$ 1,223,825</u>	For Debt Service
<u>\$ 29,390</u>	For Insurance

*CITY OF FORT PIERRE, SD  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014*

**14. JOINT VENTURES:**

**Exposition Building**

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

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

The City's interest in the facility as of December 31, 2014 is reported as a capital asset. Hughes County is acting the capacity of fiscal agent during the construction of the facility and currently, while the City of Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2014 this joint venture had total fund equity of \$132,209.

**Stanley County Law Enforcement**

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

As of December 31, 2014, this joint venture had a total equity of \$78,140.

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.

*CITY OF FORT PIERRE, SD*  
*NOTES TO THE BASIC FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

**15. PLEDGED REVENUES:**

The City has pledged future electric customers' revenues, net of specified operating expenses, to repay \$1,876,697 in electric system revenue bonds issued in 2007 and 2011. 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 \$2,083,134. Principal and interest paid for the current year and total customer net revenues were \$340,098 and \$732,368, respectively.

The City has also pledged future Sewer customers' revenues, net of specified operating expenses, to repay \$666,240 in sewer system revenue bonds issued in 2002, 2004, 2010, 2013, and 2014. 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 \$739,526. Principal and interest paid for the current year and total customer net revenues were \$126,685 and \$259,582, respectively.

***SUPPLEMENTAL INFORMATION***

**CITY OF FORT PIERRE, SD**  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<i>Revenue from Local Sources:</i>				
<b>Taxes:</b>				
General property tax	986,403	986,403	976,179	(10,224)
General sales and use tax	1,132,188	1,132,188	1,141,884	9,696
Amusement tax	500	500	444	(56)
Penalties and interest on taxes	3,000	3,000	4,108	1,108
Licenses and permits	40,600	40,600	57,330	16,730
<b>Intergovernmental:</b>				
Federal grants	--	697,000	714,878	17,878
State grants	--	--	85,127	85,127
<b>State shared revenues</b>				
Bank franchise tax	1,100	1,100	1,801	701
Motor vehicle commercial prorate	5,500	5,500	4,951	(549)
Liquor tax reversion	12,500	12,500	12,951	451
Motor vehicle licenses (5%)	21,500	21,500	33,251	11,751
Local government highway and bridge fund	20,000	20,000	33,422	13,422
County road tax (25%)	4,444	4,444	4,444	--
<b>Charges for Goods and Services:</b>				
General government	61,750	61,750	48,142	(13,608)
Highway and streets	40,000	40,000	37,033	(2,967)
Sanitation	1,500	1,500	2,815	1,315
Health	1,500	1,500	600	(900)
Culture and recreation	25,050	25,050	38,230	13,180
Economic development activities	--	--	251,598	251,598
<b>Fines and Forfeits:</b>				
Court fines and costs	750	750	179	(571)
Parking Fines	750	750	450	(300)
<b>Miscellaneous Revenue:</b>				
Investment earnings	35,000	35,000	1,836	(33,164)
Rentals	--	--	--	--
Special assessments	3,500	3,500	56,279	52,779
Street assessments	62,920	62,920	63,077	157
Contributions and donations	--	--	--	--
Other	791	791	48,425	47,634
T.V. franchise	--	22,000	26,467	4,467
Recovery of prior year expenditures	--	--	18,991	18,991
SRF loan proceeds	--	--	14,787	14,787
Street bond proceeds	--	1,239,143	1,559,074	319,931
Comp for loan/damaged assets	--	--	30,557	30,557
<b>TOTAL REVENUES</b>	<u>2,461,246</u>	<u>4,419,389</u>	<u>5,269,310</u>	<u>849,921</u>

*See accompanying note to budgetary comparison schedules.*

**CITY OF FORT PIERRE, SD**  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Mayor & council	\$ 65,814	\$ 70,814	\$ 65,987	\$ 4,827
Elections	1,500	1,500	917	583
Legal	50,000	77,000	61,623	15,377
Financial administration	134,175	143,175	142,666	509
Planning/zoning	44,315	44,315	42,815	1,500
<b>Public Safety:</b>				
Police	294,757	294,757	272,099	22,658
Fire	83,214	83,214	83,085	129
Building inspection	17,081	19,581	19,575	6
Civil defense	1,500	1,500	280	1,220
<b>Public Works:</b>				
Shop	36,000	46,000	35,737	10,263
Public works administration	95,459	97,459	87,174	10,285
Highways and streets	594,268	1,994,268	1,810,262	184,006
Snow removal	14,129	29,129	28,230	899
Street cleaning	36,058	36,058	16,363	19,695
Solid waste	13,710	17,710	16,614	1,096
Transit	26,000	26,000	26,000	--
<b>Health and Welfare:</b>				
Health	32,610	32,610	25,436	7,174
<b>Culture and Recreation:</b>				
Swimming pool	64,278	69,278	68,940	338
Community youth involved	30,000	30,000	30,000	--
Parks	230,315	345,315	345,305	10
Libraries	9,309	9,309	9,309	--
Expo building	--	--	3,870	(3,870)
Cultural arts	5,800	5,800	5,800	--
Museums	7,825	307,825	307,722	103
<b>Conservation and Development:</b>				
Conservation & development	500	1,700	1,618	82
Teton Island addition	--	45,443	45,442	1
<b>Other Changes in Fund Balances</b>				
Debt Service	727,519	727,519	610,816	116,703
<b>TOTAL EXPENDITURES</b>	<u>2,616,136</u>	<u>4,557,279</u>	<u>4,242,390</u>	<u>393,594</u>
<b>Excess of Revenues Over Expenditures</b>				
	(154,890)	(137,890)	1,026,920	1,164,810
<b>FUND BALANCE, Beginning of Year</b>	<u>\$ 1,834,959</u>	<u>\$ 703,871</u>	<u>\$ 580,740</u>	<u>\$ (123,131)</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 1,680,069</u>	<u>\$ 565,981</u>	<u>\$ 1,607,660</u>	<u>\$ 1,041,679</u>

*See accompanying note to budgetary comparison schedules.*

*CITY OF FORT PIERRE, SD  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND  
AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET  
DECEMBER 31, 2014*

**Note 1. Budgets and Budgetary Accounting:**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting practices (GAAP).

**CITY OF FORT PIERRE, SD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
CITY OF FORT PIERRE, SD  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>FEDERAL EXPENDITURE</b>
<i>US Department of Homeland Security</i>		
<i>Department of Homeland Security Pass-Through Program - SD Department of Public Safety</i>		
<i>SD Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)</i>	97.036	\$ 216,381
<i>US Department of the Interior</i>		
<i>Department of the Interior Pass-Through Program - SD Department of Game Fish and Parks</i>		
<i>SD Department of Game Fish and Parks Historic Preservation Fund Grants-In-Aid</i>	15.904	4,000
<i>US Department of Transportation</i>		
<i>Department of Transportation Pass-Through Program - SD Department of Transportation</i>		
<i>SD Department of Transportation Highway Planning and Construction</i>	20.205	265,847
<i>US Department of Housing and Urban Development</i>		
<i>Department of Housing and Urban Development Pass-Through - SD Governors Office of Economic Development</i>		
<i>Total Community Development Block Grants/State's Program and Non-Entitlement Grants</i>	14.228	<u>228,650</u>
<b>GRAND TOTAL</b>		<u><u>\$ 714,878</u></u>

***CITY OF FORT PIERRE, SD  
MUNICIPAL OFFICIALS  
DECEMBER 31, 2014***

**Governing Board Members:**

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

**City Finance Officer:**

**Roxanne Heezen**

**City Attorney:**

**Tieszen Law Office**