

CITY OF FORT PIERRE

AUDIT REPORT

DECEMBER 31, 2003

Ronald G. Tedrow
Certified Public Accountant

CITY OF FORT PIERRE

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RONALD G. TEDROW
CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council
City of Fort Pierre
Fort Pierre, South Dakota

I have audited the financial statements of the City of Fort Pierre, South Dakota, as of December 31, 2003, and for the year then ended and have issued my report thereon dated May 21, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Compliance

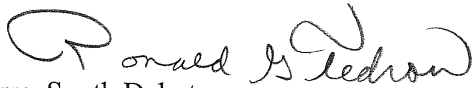
As part of obtaining reasonable assurance about whether the City of Fort Pierre's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as Finding Number 2003-02.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Fort Pierre's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Fort Pierre's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current audit findings and questioned costs as item 2003-01. I also noted other matters involving the internal control over financial reporting that I have reported to the management of the City of Fort Pierre in a separate communication dated May 21, 2004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition Number 2003-01 is a material weaknesses.

This report is intended solely for the information and use of the South Dakota Legislature, the City Council and management of the City of Fort Pierre and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is a matter of public record and its distribution is not limited.



Pierre, South Dakota

May 21, 2004

**CITY OF FORT PIERRE
AUDITOR'S COMMENTS**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

Finding Number 2002-01:

A lack of proper segregation of duties existed for the revenue function.

Status as of December 31, 2003:

Condition noted above continues. See finding number 2003-01.

Current Audit Findings:

Finding 2003-01:

A lack of proper segregation of duties existed for the revenue, expenditure and payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Criteria:

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

Possible Asserted Effect:

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

Recommendation:

Since it is not economically justifiable to hire more accounting staff just to segregate duties, management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

Corrective Action Plan:

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

CITY OF FORT PIERRE
AUDITOR'S COMMENTS (Continued)

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

Finding Number 2002-02:

The General Fund budget was overspent by \$8,358 and the additional Sales Tax Fund was overspent by \$776,296 in 2003.

Criteria:

SDCL 9-21-9 requires the city to set a budget for the anticipated obligations of each fund. The City does not have "spending authority" to expend more than the budgeted amounts, unless the budgets are properly supplemented.

Possible Asserted Effect:

A violation of state budget regulations has occurred and an important internal control tool was ignored. This practice could result in fraud.

Recommendation:

Spending should be within the set budgets as required by SDCL 9-21-9.

RONALD G. TEDROW
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fort Pierre
Fort Pierre, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of December 31, 2003, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Pierre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre as of December 31, 2003 and the respective changes in its financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 2004 on my consideration of the City of Fort Pierre's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fort Pierre's basic financial statements. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such Information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ronald B. Tedrow".

Pierre, South Dakota
May 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City's annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2003. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net assets from governmental and business-type activities increased by \$337,635, or by 6.16%, to \$7,522,865 from \$7,185,230.
- In the City's business-type activities, revenue increased by 5.72% to \$1,657,452 while expenses grew by ½ of one percent over the previous year.
- Total Sales and Use Tax decreased by 4.52% over the previous year.
- General Fund expenses decreased by \$334,432.24 in 2003, or 25.8749.8%, over the previous year due primarily to large capital outlay in 2002.
- The general fund reported a decrease of \$26,293.41 in Fund Balance in 2003 with an ending Fund Balance of \$23,590.20.
- The City of Fort Pierre purchased the City of Pierre's share in the HUSTAN property in July 2003 at a total cost of \$491,281.00. The remaining debt with the HUSTAN property was refinanced with the newly acquired property for a balance of \$706,000 in bonds payable.
- The Water Fund refunded a 2001 Revenue Obligation Bond and increased the face value of the bond to \$155,000. The additional funds were used to pay for the cost of acquiring a water main extending north to service the Wakpa Sica Reconciliation Place consolidating water debt for cost savings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has two proprietary funds – the Water Fund and the Sewer Fund.
 - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Fort Pierre's own programs. The only Fiduciary Funds maintained by the City of Fort Pierre is the 5th / 2nd Ave. Curb & Gutter Special Assessment Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1

Required Components of the City's Annual Financial Report

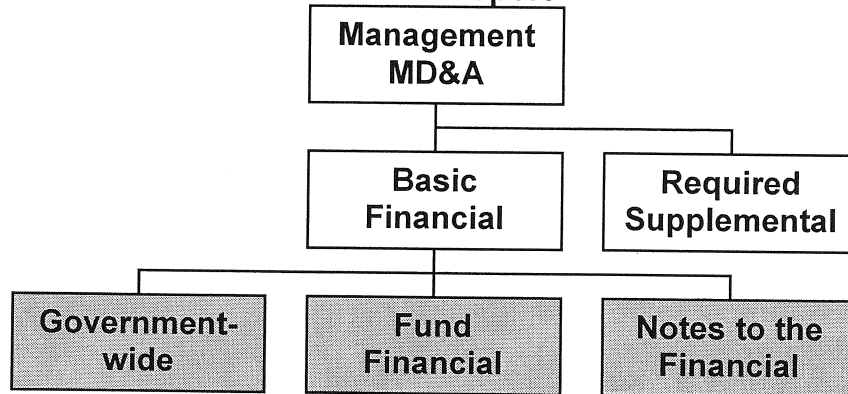


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of City's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds and the City's component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short- term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes the most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, electric, and sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary Fund** – The Municipality is the trustee, or fiduciary, for various external and internal parties. The Municipality is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Municipality's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Municipality's government-wide financial statements because the Municipality cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets will be compared with the FY 2003 Annual Financial Report (See Table A-1).

**Table A-1
Municipality of Fort Pierre
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Current/Other						
Assets	1,810,888	1,436,986	4,259,821	1,874,105	6,070,709	3,311,091
Capital Assets	2,226,145	3,048,474	5,017,648	8,252,195	7,243,793	11,300,669
Total Assets	4,037,033	4,485,460	9,277,469	10,126,300	13,314,502	14,611,760
Long-Term Debt	484,213	1,219,396	3,877,617	1,046,714	4,361,830	2,266,110
Other Liabilities	1,460,580	873,389	306,862	3,949,396	1,767,442	4,822,785
Total Liabilities	1,944,793	2,092,785	4,184,479	4,996,110	6,129,272	7,088,895
Net Assets:						
Invested in Capital						
Assets - Net	1,890,388	2,185,733	4,374,806	4,377,616	6,265,194	6,563,349
Restricted	162,332	151,291	499,639	1,391,931	661,971	1,543,222
Unrestricted	39,520	55,651	218,545	-639,357	258,065	-583,706
Total Net Assets	2,092,240	2,392,675	5,092,990	5,130,190	7,185,230	7,522,865

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the city, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Assets. The difference between the city's assets and liabilities is its net assets.

Changes in Net Assets

The Municipality experiences a few significant changes in Net Assets during Fiscal Year 2003. Business-Type Activities saw a decrease in Current Assets from 2002 to 2003, in the amount of 56.01%, due to the expenditures of Electric Generation Station bond funds, which saw a corresponding increase in Capital Assets, in the amount of 64.47%, due principally to the addition of the plant. Governmental Activities experienced a decrease in Current Assets due to the utilization of cash for projects.

Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Table A-2
City of Fort Pierre
Changes in Net Assets

	Total		Total		Total		Total
	Governmental Activities	2002	Governmental Activities	2003	Business-Type Activities	2002	
Revenues							
Program Revenues							
Charges for Services	\$ 115,108	\$	\$ 1,713,400	\$	\$ 1,578,120	\$	\$ 1,666,328
Operating Grants and Contrib.	3,217		86,107				\$ 26,843
Capital Grants and Contrib.	175,180		0		0		\$ 927,375
General Revenues	0		0		0		\$ -
Taxes	1,043,088		1,034,290		1,043,088		\$ 1,034,290
Shared Gov't Sources	53,424		0		53,424		\$ 52,484
Unrestricted Invt. Earnings	5,309		95,156		18,211		\$ 35,220
Miscellaneous	31,139		163		4,414		\$ 36,727
Total Revenues	1,426,466		1,894,827		1,600,745		3,779,266
Expenses							
General Government	\$ 212,239	\$	148,227	\$	212,239	\$	\$ 148,227
Public Safety	247,273		0		247,273		\$ 255,928
Public Works	237,037		0		237,037		\$ 609,352
Health and Welfare	19,401		0		19,401		\$ 17,302
Culture and Recreation	274,608		0		274,608		\$ 230,740
Conservation and Develop.	40,750		0		40,750		\$ 43,552
Debt Service	34,116		0		34,116		\$ 27,588
Water Services	0		267,088		185,328		\$ 185,328
Electric Services	0		1,318,881		1,315,225		\$ 1,315,225
Sewer Services	0		271,658		226,229		\$ 226,229
Total Expenses	1,065,423		1,857,627		1,726,782		3,059,471
Excess (Deficiency) Before Special Items and Transfers	361,042		37,199		-126,037		719,795
Special Items	-17,209		0		0		0
Transfers	-86,107		0		414,993		-86,107
Increase(Decrease) in Net Assets	257,726		430,839		288,956		719,795
Ending Net Assets	2,349,966		2,092,240		5,130,189		7,480,156
					5,092,990		7,185,230

ANALYSIS OF CHANGES IN NET ASSETS

The governmental activities experiences a vast decrease in the amount of funds expended for capital projects from 2002 to 2003. This was due principally in the amount of funds expended in the Capital Projects Fund. Business-type activities saw an 8.58% increase in the amount of Charges for Services for utility services from 2002 to 2003 due to a return of normal seasonal conditions. Unrestricted investment returns experience a dramatic increase in Business-type Activities due to investment earnings from Generation Station bond funds. This trend will discontinue due to the utilization of these funds in the construction of the facility in 2003.

BUDGET ANALYSIS OF THE GENERAL FUND

No supplemental budgets were adopted by the governing board during Fiscal Year 2003.

CAPITAL ASSET ADMINISTRATION.

As of December 31, 2003, the Municipality had invested \$3,505,292 (not included accumulated depreciation) in a broad range of governmental activities capital assets, including land, buildings, improvements, machinery and equipment, and equity in law enforcement. This represents a net increase of \$781,899, or 28.71% over last year. The majority of the increase was due to purchasing the City of Pierre's share in the HUSTAN property and improvements to 5th Ave. from Main St. to the Bad River along with improvements to Ash St. Please refer to note number 3, the changes in capital assets note for additional details.

The Municipality had invested \$11,169,780 (not including accumulated depreciation) in a broad range of business-type activities capital assets, including land, buildings, improvements, machinery and equipment, and construction in progress. This represents a net increase of \$3,499,285, or a 45.62% over last year. The vast majority of the increase was due to the addition of the Electric Generation Station in the amount of \$2,931,503 and expansion to the utility system. Please refer to note number 3, the changes in capital assets note for additional details.

LONG-TERM DEBT

As of December 31, 2003, the Municipality had \$3,963,907 in revenue bonds, loans, transmission capacity, capital acquisition leases, and compensated absences debt. This represents a decrease of \$4,361,829, or 9.13%. Please refer to note number 4, the long-term debt note for additional details.

SPECIAL ASSESSMENTS

As of December 31, 2003, the municipality acted as the fiscal agent for two special assessment issues; Special Assessment Bond, Series 1998 for 5th Ave. Curb & Gutter and Special Assessment Bond, Series 1999 for 2nd Ave. Curb & Gutter. The municipality is neither directly nor indirectly liable for the preceding special assessments debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Fort Pierre, City Finance Office, PO Box 700, Fort Pierre, SD 57532.

**CITY OF FORT PIERRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 670,736	103,081	773,817
Receivables	610,616	179,455	790,071
Inventory of Supplies	4,343	199,638	203,981
Restricted Cash and Cash Equivalents	151,291	1,215,557	1,366,848
Restricted Investments	-	176,374	176,374
Capital Assets:			
Land and Construction in Progress	1,383,171	273,958	1,657,129
Other Capital Assets, Net of Depreciation	1,665,303	7,978,237	9,643,540
Total Assets	\$ 4,485,460	\$ 10,126,300	\$ 14,611,760
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	28,545	146,067	174,612
Contracts Payable	-	822,973	822,973
Customer Deposits	-	77,044	77,044
Deferred Revenue	1,190,851	630	1,191,481
Long Term Liabilities			
Portion Due or Payable Within One Year	94,288	167,199	261,487
Portion Due or Payable After One Year	779,101	3,782,197	4,561,298
Total Liabilities	2,092,785	4,996,110	7,088,895
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,185,733	4,377,616	6,563,349
Restricted for:			
Cemetery Perpetual Care	33,143	-	33,143
Capital improvements (sales tax)	10,188	-	10,188
Promotion and recreation	48,987	-	48,987
Flood mitigation buyout	58,973	-	58,973
Debt service	-	324,152	324,152
Facility replacement	-	229,248	229,248
Construction	-	838,531	838,531
Unrestricted	55,651	(639,357)	(583,706)
Total Net Assets	2,392,675	5,130,190	7,522,865
Total Liabilities and Net Assets	\$ 4,485,460	\$ 10,126,300	\$ 14,611,760

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

CITY OF FORT PIERRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 222,176	\$ 64,387	\$ -	\$ (157,789)	\$ -	\$ (157,789)
Public Safety	261,603	1,683	-	(259,920)	-	(259,920)
Public Works	305,821	28,684	146,618	(130,519)	-	(130,519)
Health and Welfare	19,401	880	-	(18,521)	-	(18,521)
Culture and Recreation	274,608	21,888	-	(252,720)	-	(252,720)
Conservation and Development	57,959	-	-	(57,959)	-	(57,959)
Interest on Long-term Debt	27,901	-	-	(27,901)	-	(27,901)
Total Governmental Activities	1,169,469	117,522	146,618	(905,329)	-	(905,329)
Business-type Activities:						
Water	267,088	223,968	-	-	(43,120)	(43,120)
Electric	1,318,193	1,224,388	50,000	-	(43,805)	(43,805)
Sanitary Sewer	271,658	209,096	86,107	-	23,545	23,545
Total Business-Type Activities	1,856,939	1,657,452	136,107	-	(63,380)	(63,380)
Total Primary Government	\$ 3,026,408	\$ 1,774,974	\$ 282,725	(905,329)	(63,380)	(968,709)
General Revenues						
Taxes						
Property Taxes				515,452	-	515,452
Sales Taxes				570,826	-	570,826
State Shared Revenues				48,500	-	48,500
County Shared Revenue				4,444	-	4,444
Unrestricted Investment Earnings				5,310	95,156	100,466
Miscellaneous Revenue				61,232	5,424	66,656
Total General Revenues				1,205,764	100,580	1,306,344
Change in Net Assets				300,435	37,200	337,635
Net Assets-Beginning				2,092,240	5,092,990	7,185,230
NET ASSETS - ENDING				\$ 2,392,675	\$ 5,130,190	\$ 7,522,865

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

CITY OF FORT PIERRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General Fund	Liquor, Lodging and Dining Fund	Additional Sales Tax Fund	US COE Capital Project Fund	Cedar Hills Cemetery	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 6,253	\$ 31,108	\$ 758,853	\$ -	\$ 796,214
Restricted Cash	-	-	-	-	33,143	33,143
Taxes Receivable -- Delinquent	26,352	-	-	-	-	26,352
Accounts Receivable	2,046	-	-	-	-	2,046
Special Assessments -- Current	570	-	899	-	-	1,469
Special Assessments -- Delinquent	1,929	-	11,249	-	-	13,178
Special Assessments -- Deferred	1,710	-	-	-	-	1,710
Due from County Government	11,424	-	-	-	-	11,424
Due from State Government	30,443	3,935	21,896	-	-	56,274
Inventory of Supplies	4,343	-	-	-	-	4,343
Total Assets	\$ 78,817	\$ 10,188	\$ 65,152	\$ 758,853	\$ 33,143	\$ 946,153

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts Payable	17,337	-	4,017	7,191	-	28,545
Due to Other Funds	7,329	-	-	-	-	7,329
Deferred Revenue	30,561	-	12,148	692,689	-	735,398
Total Liabilities	55,227	-	16,165	699,880	-	771,272
Fund Balances Reserved For Perpetual Care						
Unreserved Fund Balance	23,590	10,188	48,987	58,973	33,143	141,738
Total Fund Balances	23,590	10,188	48,987	58,973	33,143	174,881
Total Liabilities and Fund Balances	\$ 78,817	\$ 10,188	\$ 65,152	\$ 758,853	\$ 33,143	\$ 946,153

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

CITY OF FORT PIERRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

Total Fund Balances - Governmental Funds	\$	174,881
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,048,474
Assets such as delinquent taxes receivable and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		42,709
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.		(873,389)
Net Assets - Governmental Funds	\$	<u>2,392,675</u>

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

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Liquor, Lodging and Dining Fund	Additional Sales Tax Fund	Expo Debt Service	US COE Capital Project Fund	Cedar Hills Cemetery	Non-major HUSTAN	Total Governmental Funds
Revenues								
Taxes								
General Property Taxes	\$ 470,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,504
General Sales Taxes	279,920	43,844	247,062	-	-	-	-	570,826
Amusement Taxes	480	-	-	-	-	-	-	480
Penalties and Interest on Delinquent Taxes	1,759	-	-	-	-	-	-	1,759
Licenses and Permits	23,527	-	-	-	-	-	-	23,527
Intergovernmental Revenue:								
Federal Revenue	-	-	-	-	146,618	-	-	146,618
State Shared Revenue	48,500	-	-	-	-	-	-	48,500
County Shared Taxes	4,444	-	-	-	-	-	-	4,444
Charges for Goods and Services:								
General Government	40,860	-	-	-	-	-	-	40,860
Highways and Streets	27,301	-	-	-	-	-	-	27,301
Sanitation	1,383	-	-	-	-	-	-	1,383
Health	880	-	-	-	-	-	-	880
Culture and Recreation	21,888	-	-	-	-	-	-	21,888
Fines and Forfeits:								
Court Fines	913	-	-	-	-	-	-	913
Parking Fines	770	-	-	-	-	-	-	770
Miscellaneous Revenue								
Interest Earned	421	36	3,617	-	100	125	1,011	5,310
Rentals	-	-	-	-	-	-	300	300
Special Assessments	3,084	-	10,069	-	-	-	-	13,153
Donations	9,635	-	-	-	-	18,926	-	28,561
TV Franchise	17,690	-	-	-	-	-	-	17,690
Other	1,528	-	-	-	-	-	-	1,528
Total Revenue	955,487	43,880	260,748	-	146,718	19,051	1,311	1,427,195

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Liquor, Lodging and Dining Fund	Additional Sales Tax Fund	Expo Debt Service	US COE Capital Project Fund	Cedar Hills Cemetery	Non-major HUSTAN	Total Governmental Funds
Expenditures								
General Government:								
Executive	33,604	-	-	-	-	-	-	33,604
Elections	46	-	-	-	-	-	-	46
Legal	29,150	-	-	-	-	-	-	29,150
Financial Administration	110,013	-	18,744	-	10,354	-	-	139,111
Planning/Zoning	16,814	-	-	-	-	-	-	16,814
Public Safety:								
Police	196,093	-	-	-	-	-	-	196,093
Fire	59,929	-	-	-	-	-	-	59,929
Civil Defense	316	-	-	-	-	-	-	316
Public Works:								
Shop	24,307	-	-	-	-	-	-	24,307
Public Works Administration	45,781	-	-	-	-	-	-	45,781
Highways and Streets	93,864	-	-	-	68,783	-	-	162,647
Sanitation	19,687	-	1,704	-	-	-	-	21,391
Transit	8,000	-	-	-	-	-	-	8,000
Health and Welfare:								
Public Health	19,401	-	-	-	-	-	-	19,401
Culture and Recreation:								
Swimming Pool	39,414	-	-	-	-	-	-	39,414
Community & Youth Involved	16,000	-	-	-	-	-	-	16,000
Parks	143,800	-	-	-	-	-	-	143,800
Library	3,000	-	-	-	-	-	-	3,000
Expo Building	2,810	-	-	-	-	-	-	2,810
Cultural Arts	3,000	-	-	-	-	-	-	3,000
Museum	4,845	-	-	-	-	-	-	4,845
Conservation and Development:								
Economic Development	-	40,750	-	-	-	-	17,209	57,959
Debt Service	45,252	-	259,761	40,932	-	-	-	345,945
Capital Outlay	43,469	-	735,437	-	17,324	-	-	796,230
Total Expenditures	958,595	40,750	1,015,646	40,932	96,461	-	17,209	2,169,593

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Liquor, Lodging and Dining Fund	Additional Sales Tax Fund	Expo Debt Service	US COE Capital Project Fund	Cedar Hills Cemetery	Non-major HUSTAN	Total Governmental Funds
Excess of Revenue Over (Under) Expenditures	(3,108)	3,130	(754,898)	(40,932)	50,257	19,051	(15,898)	(742,398)
Other Financing Sources (Uses)								
Transfers In	17,747	-	-	40,932	-	-	-	58,679
Transfers Out	(40,932)	-	-	-	-	-	(17,747)	(58,679)
Proceeds from Long-term Debt	-	-	706,000	-	-	-	-	706,000
Net Change in Fund Balance	(26,293)	3,130	(48,898)	-	50,257	19,051	(33,645)	(36,398)
Fund Balance - January 1, 2003	49,883	7,058	97,885	-	8,716	14,092	33,645	211,279
Fund Balance - December 31, 2003	\$ 23,590	\$ 10,188	\$ 48,987	\$ -	\$ 58,973	\$ 33,143	\$ -	\$ 174,881

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

CITY OF FORT PIERRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (36,398)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 683,301

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 318,044

Governmental funds report special assessments and delinquent taxes receivable as revenue when cash is received, but the statement of activities includes them as revenue when earned. 42,709

Proceeds of long-term debt is a revenue in the governmental funds, but is an increase in long-term liabilities in the statement of net assets. (706,000)

Accrued leave is recorded as an expenditure when paid by the funds, but as incurred by the statement of activities. (1,221)

Change in Net Assets of Governmental Activities \$ 300,435

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

**CITY OF FORT PIERRE
BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2003**

	Water Fund	Electric Fund	Sanitary Sewer Fund	Totals
ASSETS				
Current Assets				
Cash	\$ 28,671	\$ 74,410	\$ -	\$ 103,081
Accounts Receivable	19,180	130,863	28,782	178,825
Special Assessments-Delinquent	-	-	630	630
Interfund	-	33,489	(33,489)	-
Inventory of Supplies	41,244	150,860	7,534	199,638
Total Current Assets	<u>89,095</u>	<u>389,622</u>	<u>3,457</u>	<u>482,174</u>
Noncurrent Assets				
Restricted Cash	106,026	1,109,531	-	1,215,557
Restricted Investments	-	176,374	-	176,374
Capital Assets				
Land	25,686	116,811	17,209	159,706
Buildings	810,296	3,779,605	-	4,589,901
Improvements Other than Buildings	1,395,679	1,771,463	2,579,668	5,746,810
Machinery and Equipment	86,937	278,928	193,246	559,111
Less: Accum. Depr.	(1,021,993)	(1,232,892)	(662,700)	(2,917,585)
Construction in Progress	-	-	114,252	114,252
Total Noncurrent Assets	<u>1,402,631</u>	<u>5,999,820</u>	<u>2,241,675</u>	<u>9,644,126</u>
TOTAL ASSETS	<u>\$ 1,491,726</u>	<u>\$ 6,389,442</u>	<u>\$ 2,245,132</u>	<u>\$ 10,126,300</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,474	\$ 142,959	\$ 1,634	\$ 146,067
Contracts Payable	-	822,973	-	822,973
Customer Deposits	-	77,044	-	77,044
Deferred Revenue	-	-	630	630
Bonds Payable	29,243	80,000	41,064	150,307
Other Debt	-	16,892	-	16,892
Total Current Liabilities	<u>30,717</u>	<u>1,139,868</u>	<u>43,328</u>	<u>1,213,913</u>
Noncurrent Liabilities				
Bonds Payable	111,546	3,145,000	439,726	3,696,272
Accrued Leave Payable	716	9,289	716	10,721
Other Long-term Payable	-	75,204	-	75,204
Total Noncurrent Liabilities	<u>112,262</u>	<u>3,229,493</u>	<u>440,442</u>	<u>3,782,197</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,155,816	1,460,915	1,760,885	4,377,616
Restricted for Debt Service	-	324,152	-	324,152
Restricted for Facility Replacement	106,026	123,222	-	229,248
Restricted for Construction	-	838,531	-	838,531
Unrestricted	86,905	(726,739)	477	(639,357)
Total Net Assets	<u>1,348,747</u>	<u>2,020,081</u>	<u>1,761,362</u>	<u>5,130,190</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,491,726</u>	<u>\$ 6,389,442</u>	<u>\$ 2,245,132</u>	<u>\$ 10,126,300</u>

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

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THIS YEAR ENDED DECEMBER 31, 2003

	Water Fund	Electric Fund	Sanitary Sewer Fund	Totals
Operating Revenue				
Charges for Goods and Services	\$ 223,968	1,224,388	\$ 209,096	\$ 1,657,452
Operating Expenses				0
Personal Services	73,433	262,794	81,456	417,683
Other Current Expense	120,384	189,722	82,293	392,399
Cost of Goods Sold	-	581,531	-	581,531
Depreciation	67,744	135,198	87,992	290,934
Total Operating Expenses	<u>261,561</u>	<u>1,169,245</u>	<u>251,741</u>	<u>1,682,547</u>
Operating Income (Loss)	<u>(37,593)</u>	<u>55,143</u>	<u>(42,645)</u>	<u>(25,095)</u>
Nonoperating Revenue (Expense)				
Interest Revenue	3,592	91,523	41	95,156
Rental	-	104	-	104
Interest Expense	(5,527)	(148,948)	(19,917)	(174,392)
Compensation for Damage to Assets	-	4,781	-	4,781
Sale of Fixed Assets	200	209	130	539
Total Nonoperating Revenue (Expense)	<u>(1,735)</u>	<u>(52,331)</u>	<u>(19,746)</u>	<u>(73,812)</u>
Income (Loss) Before Contributions and Transfers	(39,328)	2,812	(62,391)	(98,907)
Capital Contributions	-	50,000	86,107	136,107
Change in Net Assets	<u>(39,328)</u>	<u>52,812</u>	<u>23,716</u>	<u>37,200</u>
Total Net Assets, January 1, 2003	<u>1,388,075</u>	<u>1,967,269</u>	<u>1,737,646</u>	<u>5,092,990</u>
TOTAL NET ASSETS, December 31, 2003	<u>\$ 1,348,747</u>	<u>\$ 2,020,081</u>	<u>\$ 1,761,362</u>	<u>\$ 5,130,190</u>

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

**CITY OF FORT PIERRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Enterprise Funds			Totals
	Water Fund	Electric Fund	Sanitary Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipt from Customers	\$ 224,337	1,221,527	\$ 199,334	\$ 1,645,198
Payments to Employees	(73,483)	(261,748)	(81,506)	(416,737)
Payments to Suppliers	(108,037)	(711,098)	(186,786)	(1,005,921)
Net Cash Provided (Used) by Operating Activities	<u>42,817</u>	<u>248,681</u>	<u>(68,958)</u>	<u>222,540</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Repayment of Interfund Loan	-	15,000	-	15,000
Interfund Loan	-	(33,489)	33,489	-
	<u>0</u>	<u>(18,489)</u>	<u>33,489</u>	<u>15,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Capital Debt	155,000	706,000	-	861,000
Capital Contribution	-	50,000	190,960	240,960
Purchase of Capital Assets	(127,183)	(2,494,943)	(117,572)	(2,739,698)
Principal Paid on Capital Debt	(68,285)	(686,841)	(35,042)	(790,168)
Interest Paid on Capital Debt	(5,527)	(148,948)	(19,917)	(174,392)
Other Receipts (Payments)	200	5,094	130	5,424
Net Cash (Used) by Capital and Related Financing Activities	<u>(45,795)</u>	<u>(2,569,638)</u>	<u>18,559</u>	<u>(2,596,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earnings	3,592	91,523	41	95,156
Net Increase (Decrease) in Cash and Cash Equivalents	614	(2,247,923)	(16,869)	(2,264,178)
Balances - Beginning	134,083	3,608,238	16,869	3,759,190
Balances - Ending	<u>\$ 134,697</u>	<u>\$ 1,360,315</u>	<u>\$ -</u>	<u>\$ 1,495,012</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (37,593)	\$ 55,143	\$ (42,645)	\$ (25,095)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	67,744	135,198	87,992	290,934
Change in Assets and Liabilities				
Receivables	369	(4,308)	(9,762)	(13,701)
Inventories	15,502	557	(672)	15,387
Accounts and Other Payables	(3,155)	59,598	(103,821)	(47,378)
Accrued Leave Payable	(50)	1,046	(50)	946
Customer Deposits	-	1,447	-	1,447
	<u>\$ 42,817</u>	<u>\$ 248,681</u>	<u>\$ (68,958)</u>	<u>\$ 222,540</u>

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

**CITY OF FORT PIERRE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003**

	Agency Funds
ASSETS	
Current Assets	
Cash	\$ 15,151
Other Receivables	14,793
	29,944
TOTAL ASSETS	\$ 29,944
 LIABILITIES	
Amounts Held for Special Assessments Debt Service	\$ 15,151
Other Payable	14,793
	29,944
TOTAL LIABILITIES	\$ 29,944

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

CITY OF FORT PIERRE

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

- 1.) Stanley County Law Enforcement (with Stanley County), see Note 12 for specific disclosure.
- 2.) Expo Building (Hughes County, Stanley County, and City of Pierre). See detailed Note 13 for specific disclosure.
- 3.) Hustan (City of Pierre) is accounted for as a special revenue fund of the City of Fort Pierre. This cooperative unit was dissolved in July 2003.

The City has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law (SDCL 11-7-7). The City created this Housing and Redevelopment Commission solely for the purpose of abdicating its power or authority to the City of Pierre Housing and Redevelopment Commission.

Basis of Presentation

Government-Wide Statements - The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services..

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 included (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 revenue.

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
- 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 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 of the general government 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Governmental funds (Continued)

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. The Expo Debt Service Fund is the only debt service fund maintained by the City

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). The U.S. Corps of Engineers (COE) Capital Project Fund is the only capital project fund maintained by the City

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. The Cedar Hill Cemetery Perpetual Care Fund is the only permanent fund maintained by the City.

Proprietary funds

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

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 the results of operations. The 5th and 2nd Avenue Special Assessment Fund is the only agency fund of the City.

The city reports the following major governmental funds:

General Fund - See above description

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Special Revenue Funds

Liquor, Lodging and Dining Sales Tax established by SDCL 10-52-8 - Any city may impose an additional city non-ad valorem tax at the rate of one percent upon the gross receipts of all leases or rentals of hotel, motel, campsites, or other lodging accommodations within the city for period of less than twenty-eight consecutive days, or sales of alcoholic beverages, or establishments where the public is invited to eat, dine, or purchase and carry out prepared food for immediate consumption, or ticket sales or admissions to places of amusement, athletic, and cultural events, or any combination thereof. The tax shall be levied for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city, its facilities, attractions, and activities.

Additional Sales Tax Fund established by SDCL 10-52-2 - Any incorporated city within this state may impose any non-ad valorem tax in accordance with the provisions of this chapter, except upon fuel used for motor vehicles, by ordinance enacted by its local governing board. However, no tax may be levied on the sale, use, storage and consumption of items taxed under chapters 10-45 and 10-46, unless such tax conforms in all respects to the state tax on such items with the exception of the rate, and the rate levied does not exceed two percent.

If a city increases its tax rate above one percent, the revenue generated from the tax increase may only be used for capital improvement, to include lease-purchase agreements of realty, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds, and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, debt retirement, and the minor rehabilitation, major rehabilitation, or reconstruction of streets as defined in the June, 1994, South Dakota Department of Transportation Pavement Condition Survey Guide for City Streets.

Hustan Fund - Established to account for the activity of the joint operation between the Cities of Fort Pierre and Pierre. The city participated in a joint powers agreement with the City of Pierre, resulting in an undivided interest or joint operation. The agreement created an administrative board, not a separate legal entity, know as Hustan. The Stanley County Commission, the Hughes County Commission, The Stanley County School District and the Pierre School District Belong as ex-officio non-voting members and hold no financial interest in the project. The express purpose of the agreement is to acquire a 35.7 acre site for potential construction of a public multi-use facilities under the authority of South Dakota Constitution Article IX, Section 2 and 3, SDCL Chapter 1-24 and applicable statutes of SDCL Chapters 7-18, 7-25, 9-12, 9-25, 9-27, 9-52 and 9-54. In 2003, the City of Fort Pierre acquired the City of Pierre's share of this joint operation for \$491,281.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Debt Service Funds

Expo Fund - established by the City to account for its share of debt in the exposition facility. Debt service payments are being made on the Cities 1999 sales tax revenue bonds. Revenues of the fund consist solely of operating transfers in for the General Fund.

Capital Projects Funds

US COE Fund - established by the City to account for receipt and expenditure of federal grant monies obtained from the Department of Defense - U.S. Army Corps of Engineers.

Permanent Funds

Cedar Hills Cemetery Perpetual Care Fund-to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18 &13)

The city reports the following enterprise funds:

Enterprise Funds

Water Fund - Every city may construct, establish, operate and maintain a system of waterworks and facilities in connection therewith; may regulate the distribution and use of water supplied thereby; may acquire a suitable supply of water, whether within or without the city; may maintain dams, reservoirs, intakes, spillways, conduits, or other devices to gather and store surface, flood or other waters within or without the municipality either as a direct source of water to the city or as a supply of the municipality may be replenished or restored; may advantageously dispose of, to districts, subdivisions, and areas, outside the limits of the city to which supply lines may extend, any city supply of water, including stored water, not required or used for city purposes and any surplus water may be disposed of to any outside district where the water is delivered into a natural watercourse for irrigation purposes; may assess, levy and collect taxes and special assessments for such purposes; and may appropriate funds and levy taxes to accumulate funds for such purposes, as provided by this title. The accumulated funds shall be placed in a separate fund which may not revert at the end of the fiscal year. The amount of the fund may never exceed an amount equivalent to ten dollars per thousand dollars of taxable valuation of all property within the municipality. The fund shall be established by a resolution adopted pursuant to chapter 9-19. Every city may enter into agreements with the United State, with the State of South Dakota and with any authorized agency, subdivision or unit of government, federal or state, to carry out such purposes. (SDCL 9-47-1)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Enterprise Funds

Electric Fund - Every city shall have power to construct, operate, and maintain any system or part thereof to provide light, heat, and power; to purchase electric current from without the limits of the city; to sell electric current to be transmitted to any point without the city; and to maintain transmission lines for such purposes without the city. (SDCL 9-39-1)

Sewer Fund - Every city may establish and construct main, trunk, and service sewers, and septic or sewage treatment plants, drains, and manholes either within its corporate limits or within ten miles of its corporate limits; may appropriate funds and levy taxes to accumulate funds for such purposes; may establish sewer districts as provided by this title; may acquire any sewer, drain, or system of sewerage and drainage already established and constructed; and may acquire land within or without the city for a septic or sewage treatment plant or outlet to any main sewer, and may assess the cost thereof with cost of any necessary extension or connection of such main sewer to all the property within the sewer district benefitted as provided by this title. The proceeds of any taxes levied for the accumulation of funds under this section shall be placed in a separate fund which may not revert at the end of the fiscal year. The amount of the fund may never exceed an amount equivalent to ten dollars per thousand dollars of taxable valuation of all property within the city. The fund shall be established by a resolution adopted pursuant to chapter 9-19. (SDCL 9-48-2)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the municipality gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year which all eligibility requirements have been satisfied.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The city considers significant revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Deposits and Investments

The municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by South Dakota Codified Law. These restrictions are summarized below:

Deposits - The municipal 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. 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.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

The actual bank balances at December 31, 2003, were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 688,396
Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.	<u>1,718,443</u>
Total Deposits	<u>\$ 2,406,839</u>

The carrying amount of deposits on the December 31, 2003, balance sheet was \$2,275,660.

Reconciliation of deposits to Government-Wide Statement of Net Assets:

Cash and Cash Equivalents	\$ 2,260,929
Add: Agency Fund Cash (Not Included In Government-Wide Statement of Net Assets)	15,151
Subtract: Petty Cash (Reported as Cash and Cash Equivalent on Governmental Funds Balance Sheet)	<u>(420)</u>
	<u>\$ 2,275,660</u>

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

Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

The entity's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

Investments at December 31, 2003, were as follows:

Mutual Funds

US Bancorp Piper Jaffray -	
First American Govt. Obligations.	\$ 13,622
Goldman Sachs -	
Treasury Obligation Fund	6,296
External Investment Pools:	
SDFIT	<u>36,692</u>
Total Investments	<u>\$ 56,610</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from cities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Capital Assets

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, 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, including roads and bridges, are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total December 31, 2003 balance of capital assets includes approximately twenty-five percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with *net* capital assets reflected in the Statement of Net assets. 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: tangible capital-type items shall only be capitalized if they have an estimated useful life of at least two years following the date of acquisition; capitalization thresholds are applied to individual items rather than to groups of similar items (e.g., desks and tables); infrastructure assets shall be treated separately from other capital assets for purposes of establishing capitalization thresholds; the minimum capitalization threshold shall equal \$2,000 for any individual item; the City of Fort Pierre shall exercise control over their non-capitalized tangible capital-type items by establishing and maintaining adequate control procedures at the departmental level. Capital assets are being depreciated using the straight-line method. Estimated useful lives vary from 5-25 years for machinery and equipment, 20-33 years for buildings and 10-50 year for improvements.

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

Capital assets used in proprietary fund operations are accounted for, on the accrual basis, the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 bonds payable, and accrued leave payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principle and interest reported as expenditures. The accounting for proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Deferred Revenue

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

Cash Flows

The city pools its cash resources for depositing and investing purposes. The proprietary funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balance are considered to be cash equivalents for the purpose of the Statement Cash Flows.

Inventory

Inventory is valued at the lower of cost or market. The cost valuation method is the first in first out (FIFO method). Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve that indicates that they do not constitute "available spendable resource" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Interfund Receivables

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account 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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 7 for details of interfund transactions, including receivables and payables at year-end.

Note 2. Property Tax

Property taxes attach as an enforceable lien on property as of January 1 or each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the city's taxes and remits them to the city.

The city is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the city:

General Fund	\$ 27
Bond Redemption Funds	Amounts Required by
	Bond Agreements
Judgment Fund (Upon Judgment Being Made)	\$ 10

Note 3. Changes in Capital Assets

A summary of changes in capital assets for the Governmental Activities for the year ended December 31, 2003 is as follows:

	01/01/2003 Balance	Additions	Deletion	2003 Depreciation	12/31/2003 Balance
Land and Construction In Progress- Not Depreciated	\$ 891,890	\$ 491,281	\$ -	\$ -	\$ 1,383,171
Buildings	716,757	460,247	-	-	1,177,004
Accum. Depreciation	(159,905)	-	(5,168)	(12,131)	(177,204)
Improvements	687,506	-	(180,995)	-	506,511
Accum. Depreciation	(19,706)	-	5,168	(69,712)	(84,250)
Machine & Equipment	382,306	8,374	-	-	390,680
Accum. Depreciation	(144,619)	-	-	(25,821)	(170,440)
Equity in Law Enforce.	44,933	2,993	-	-	47,926
Accum Depreciation	(33,989)	-	14,330	(5,265)	(24,924)
Sub-total	1,473,283	471,614	(166,665)	(112,929)	1,665,303
Total	\$ 2,365,173	\$ 962,895	\$ (166,665)	\$ (112,929)	\$ 3,048,474

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Government activities	
General government	\$ 2,230
Public safety	5,265
Public works (including depreciation of General infrastructure assets)	43,695
Culture and Recreation	<u>61,739</u>

Total depreciation expense – governmental activities \$ 112,929

A summary of changes in capital assets for the Business-Type Activities for the year ended December 31, 2003 is as follows:

	01/01/2003 Balance	Additions	Deletion	2003 Depreciation	12/31/2003 Balance
Land-Not Depreciated	\$ 44,191	\$ 115,515	\$ -	\$ -	\$ 159,706
Buildings	1,658,398	2,931,504	-	-	4,589,902
Improvements	5,399,609	347,201	-	-	5,746,810
Machine & Equipment	505,936	79,370	(26,196)	-	559,110
Const. In Progress -	62,361	51,891	-	-	114,252
Accum Depreciation	<u>(2,652,847)</u>	<u>-</u>	<u>26,196</u>	<u>(290,934)</u>	<u>(2,917,585)</u>
Total	<u>\$ 5,017,648</u>	<u>\$ 3,525,481</u>	<u>\$ -</u>	<u>\$ (290,934)</u>	<u>\$ 8,252,195</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Water	\$ 67,744
Electric	135,198
Sanitary Sewer	<u>87,992</u>

Total depreciation expense – Business-Type Activities \$ 290,934

Construction in progress of \$114,252 represents the initial costs of a “Force Main” Sewer project. The total project is estimated to cost \$1,100,000. The financing for this project will be from Corps of Engineers grants. No financing will be necessary.

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt

A summary of the changes in long-term debt follows:

	<u>Revenue Bonds</u>	<u>Transmission Capacity Agreement</u>	<u>Compensated Absences</u>	<u>Other</u>	<u>Total</u>
Debt Payable, January 1, 2003	\$ 4,218,362	\$ 68,994	\$ 19,202	\$ 55,271	\$ 4,361,829
New Issues	861,000	-	-	36,000	897,000
Change in Compensated Absences	-	-	2,167	-	2,167
Retired	<u>(392,859)</u>	<u>(4,898)</u>	<u>-</u>	<u>(40,454)</u>	<u>(438,211)</u>
Debt Payable, December 31, 2003	<u>\$ 4,686,503</u>	<u>\$ 64,096</u>	<u>\$ 21,369</u>	<u>\$ 50,817</u>	<u>\$ 4,822,785</u>

(Note: The above numbers have been rounded to the nearest dollar)

Debt payable at December 31, 2003 is comprised of the following:

Governmental Activities:

1999 Sales Tax Revenue Bond. Repaid by
General Fund, interest rate 4.81%, final
payment due March 3, 2004.

\$ 19,985

3% State Revolving Fund Loan. Due in monthly
installments of \$3,189, including interest, to
November 1, 2005. This loan will be repaid by
the Additional Sales Tax Special Revenue Fund.

71,200

Series 2003 Sales Tax Revenue Bond, interest
rate of 4.07%, final payment due May 16, 2013.
This debt will be repaid by the Additional Sales
Tax Special Revenue Fund and General Fund.

706,000

Series 2000 Sales Tax Revenue Bond, interest
rate 6.06%, final payment due December 31,
2005. This debt will be repaid by the General
Fund.

42,739

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

Financing (Capital Acquisition) Leases:

Volvo Wheel Loader - Maturity date April 2005, 5.45% interest, repaid by General Fund.	22,817
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Purchase price at beginning of lease was:

Cost	\$ 76,611
Interest	<u>12,791</u>
	<u>\$ 89,402</u>

Compensated Absences	10,648
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Business-Type Activities:

Series 2002 Electric Surcharge. Maturity date December 2018, 4.64% interest. Debt is repaid from the Electric Fund	3,225,000
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2002 State Revolving Fund (SRF) Sanitary Sewer, maturity date April 1, 2018, 3.5% Interest. Debt is repaid from Sanitary Sewer Fund.	446,680
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Series 2003 Water Revenue Bonds. Interest rate 3.83%, final payment due May 16, 2008. Debt is repaid from Water Fund.	140,789
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Series 2001 Sewer Revenue Bonds. Interest rate 5.02%, final payment due September 28, 2005. Debt is repaid from Sewer Fund.	34,110
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Transaction Capacity Agreement with West Central Electric Cooperative, maturity date September 2015, 2% interest rate, debt is repaid from Electric Fund.	64,096
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Contract for land, due \$7,000 per year, paid by Electric Fund.	28,000
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Compensated Absences	10,721
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NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

Total debt service requirements, excluding compensated absences, but including interest of \$1,822,696 is as follows:

Annual Requirements to Maturity for Long-Term Debt December 31, 2003

Business-Type Activities							
Year Ending December 31, 2003	Revenue Bonds		Financing (Capital Acquisition) Leases		Transmission Capacity		Land
	Principal	Interest	Principal	Interest	Principal	Interest	Contract
	2004	\$ 150,307	\$ 163,453	\$ -	\$ -	\$ 4,897	\$ 1,245
2005	193,153	158,206	-	-	4,995	1,147	7,000
2006	187,748	151,874	-	-	5,096	1,046	7,000
2007	199,900	145,496	-	-	5,199	943	7,000
2008	204,953	138,714	-	-	5,303	839	-
2009 - 2013	1,141,207	573,321	-	-	28,164	2,546	-
2014 - 2018	1,454,311	295,283	-	-	10,540	209	-
2019	315,000	16,380	-	-	-	-	-
Totals	<u>\$ 3,846,579</u>	<u>\$ 1,642,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,194</u>	<u>\$ 7,975</u>	<u>\$ 28,000</u>

Governmental Activities						
Year Ending December 31, 2003	Revenue Bonds		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$ 77,354	\$ 33,130	\$ 16,934	\$ 946	\$ 94,288
2005	127,639	29,563	5,883	77	133,522	29,640
2006	73,991	25,116	-	-	73,991	25,116
2007	77,032	22,075	-	-	77,032	22,075
2008	80,200	18,907	-	-	80,200	18,907
2009 - 2013	403,710	42,180	-	-	403,710	42,180
2014 - 2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Totals	<u>\$ 839,926</u>	<u>\$ 170,971</u>	<u>\$ 22,817</u>	<u>\$ 1,023</u>	<u>\$ 862,743</u>	<u>\$ 171,994</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

As of December 31, 2003, the municipality was acting as a fiscal agent for the following special assessment issues:

Special Assessment Bond, Series 1998			
5 th Ave. Curb & Gutter	4.35%	Jan. 15, 2006	\$ 6,877
Special Assessment Bond, Series 1999			
2 nd Ave. Curb & Gutter	5.00%	Dec. 29, 2009	\$ 18,734

The municipality is not liable directly or indirectly for the preceding special assessments.

Note 5. Operating Leases

The City is leasing a copy machine through Mid-America Leasing Company. This is a 51 month lease with final payment to be made in March 2007. Payments are being made from the General Fund.

The following is the minimum payment on this operating lease:

<u>Year</u>	<u>General Fund</u>
2004	\$ 5,084
2005	5,084
2006	5,084
2007	1,271

Note 6. Segment Information for Enterprise Funds

This requirement is effectively met by the statements in this report because all enterprise funds maintained by the municipality have been reported as major funds, in which the required segment information has already been disclosed in the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Individual Fund Interfund Receivable and Payable Balances

Interfund receivable and payable balances at December 31, 2003 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Electric Fund	\$15,000	
Sewer Fund		\$15,000

The Electric Fund provided interfund loan proceeds to the Sewer Fund in Fiscal Year 2003 in the amount of \$15,000 to subsidize the Sewer Fund operations. This note is payable in 2004.

Note 8. Restricted Net Assets

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
General Fund	Expo Building Equity	\$ 11,423.37
Liquor, Lodging and Dining Sales Tax Fund	Law	0.00
Additional Second One Percent Fund	Law & Bond Covenant	0.00
US COE Fund	Contract	58,972.98
HUSTAN Fund	Joint Powers Agreement	0.00
Cemetery Care Fund	Law	33,142.81
Water Fund	Law & Bond Covenants	106,026.15
Electric Fund	Law & Bond Covenants	1,285,904.71
Electric Fund	Customer Deposits	77,044.39
Sanitary Sewer Fund	Bond Covenants	<u>0.00</u>
Total Restricted Net Assets for Other Purposes		<u>\$1,572,514.41</u>

Note 9. Deficit Fund Balances

The city did not have a fund with a deficit fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan

All employees working more than twenty hours per week after the first six months of service participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute six percent of their salary to the plan, while public safety and judicial employees contribute at eight and nine percent. State statute also requires the employer to contribute an amount equal to the employee's contribution. The municipality's share of contributions to the SDRS for the fiscal year ended December 31, 2003, 2002 and 2001 were \$30,427; \$25,496; and \$22,012 respectively, equal to the required contributions each year.

Note 11. Litigation

The City has appointed Tieszen Law Office to serve as City Attorney. As of December 31, 2003, the City Attorney's Office is unaware of any pending or potential litigation against the City. The City does not have certain actions pending regarding violations of City ordinances; however, the City is not defendant in any of these actions nor have any counterclaims been made. In addition, the Office of City Attorney is unaware of any potential or threatened litigation as of December 31, 2003. Of course, as a governmental entity, the City is always subject to claims brought under Section 1983 of Title 42 of the U.S. Code. The office of the City attorney is unaware of any such threatened suits nor of any practices by the City that should peculiarly expose the City to such claims.

Note 12. 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.

NOTES TO FINANCIAL STATEMENTS

Note 13. Exposition Building

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

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

The City's interest in this facility as of December 31, 2003, is reported as a Building Capital Asset. Hughes County acted in the capacity of fiscal agent during the construction of the facility, while the City of Fort Pierre acted in the capacity of fiscal agent for parking lot and storm sewer improvements. Financial statements for this joint operation are available from the Hughes County Finance Officer.

Note 14. 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, 2003, the city managed its risks as follows:

Employee Health Insurance :

The city purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance :

The city purchases joint the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The city pays an annual premium to the pool to provide coverage for general liability insurance.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage's will be provided to a \$1,500,000 limited. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The city carries a \$500 deductible for the officials liability and \$2,000 deductible for the law enforcement coverage.

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management (Continued)

Liability Insurance :

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.

The city has been unable to obtain liability coverage at a cost it considered to be economically justifiable. The city joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota's local government entities. The city pays an annual premium to the pool to provide coverage for general liability, public official liability, property, boiler, and auto physical and liability damage.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage will be provided to a \$2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The city carries a \$250 deductible for the auto physical liability coverage.

The city does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation :

The city has been unable to obtain workmen's compensation coverage at a cost it considered to be economically justifiable. The city joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The city pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to \$1,750,000 per individual per incident.

The city does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

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.

Note 15. Major Noncompliance

The City violated budgetary statutes in 2003. In the future, the City will pass supplemental budget ordinances when additional spending authority is needed.

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance
	Original	Final		Positive (Negative)
Revenues				
Taxes				
General Property Taxes	\$ 474,069	\$ 474,069	\$ 470,504	\$ (3,565)
General Sales and Use Taxes	266,700	266,700	279,920	13,220
Amusement Taxes	500	500	480	(20)
Penalties and Interest on Delinquent Taxes	1,600	1,600	1,759	159
Licenses and Permits	22,750	22,750	23,527	777
Intergovernmental Revenue:				
Federal Grants	50,000	50,000	-	(50,000)
State Shared Revenue	47,000	47,000	48,500	1,500
County Shared Revenue	4,500	4,500	4,444	(56)
Charges for Goods and Services:				
General Government	40,725	40,725	40,860	135
Highways and Streets	25,775	25,775	27,301	1,526
Sanitation	-	-	1,383	1,383
Health	1,000	1,000	880	(120)
Culture and Recreation	15,500	15,500	21,888	6,388
Fines and Forfeits:				
Court Fines and Costs	2,400	2,400	913	(1,487)
Parking Meter Fines	500	500	770	270
Miscellaneous Revenue:				
Investment Earnings	15,000	15,000	421	(14,579)
Rentals	150	150	-	(150)
Special Assessments	6,500	6,500	3,084	(3,416)
Contributions and Donations from Private Sources	-	-	9,635	9,635
TV Franchise	16,500	16,500	17,690	1,190
Other	-	-	1,528	1,528
Total Revenue	<u>991,169</u>	<u>991,169</u>	<u>955,487</u>	<u>(35,682)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures				
General Government:				
Mayor and Council	33,220	33,220	33,603	(383)
Elections	650	650	46	604
Legal	30,000	30,000	29,150	850
Financial Administration	94,975	94,975	110,013	(15,038)
Planning/Zoning	15,925	15,925	16,814	(889)
Public Safety:				
Police	196,093	196,093	196,093	-
Fire	59,929	59,929	59,929	-
Civil Defense	1,500	1,500	316	1,184
Public Works:				
Shop	19,500	19,500	24,307	(4,807)
Public Works Administration	45,970	45,970	48,132	(2,162)
Highways and Streets	92,265	92,265	100,556	(8,291)
Snow Removal	7,035	7,035	5,223	1,812
Street Cleaning	15,025	15,025	16,746	(1,721)
Solid Waste	4,750	4,750	2,941	1,809
Transit	5,000	5,000	8,000	(3,000)
Health and Welfare:				
Health	26,700	26,700	19,401	7,299
Culture and Recreation:				
Swimming Pool	43,325	43,325	39,414	3,911
Community Youth Involved	16,000	16,000	16,000	-
Parks	171,370	171,370	173,003	(1,633)
Libraries	3,000	3,000	3,000	-
Expo Building	-	-	2,810	(2,810)
Cultural Arts	3,000	3,000	3,000	-
Museums	4,250	4,250	4,845	(595)
Conservation and Development:				
Conservation and Development	500	500	-	500
Debt Service	60,255	60,255	45,253	15,002
Total Expenditures	<u>950,237</u>	<u>950,237</u>	<u>958,595</u>	<u>(8,358)</u>
Excess of Revenue Over (Under) Expenditures	40,932	40,932	(3,108)	(44,040)
Other Financing Sources (Uses)				
Transfers In	-	-	17,747	17,747
Transfers Out	(40,932)	(40,932)	(40,932)	-
Total Other Financing Sources (Uses)	<u>(40,932)</u>	<u>(40,932)</u>	<u>(23,185)</u>	<u>17,747</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(26,293)</u>	<u>(26,293)</u>
Fund Balance - Beginning	<u>49,883</u>	<u>49,883</u>	<u>49,883</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 49,883</u>	<u>\$ 49,883</u>	<u>\$ 23,590</u>	<u>\$ (26,293)</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - ADDITIONAL SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales and Use Taxes	\$ 233,000	\$ 233,000	\$ 247,062	\$ 14,062
Special Assessments	-	-	10,069	10,069
Miscellaneous Revenue				
Investment Earnings	5,000	5,000	3,617	(1,383)
Total Revenue	<u>238,000</u>	<u>238,000</u>	<u>260,748</u>	<u>22,748</u>
Expenditures				
General Government				
Financial Administration	-	-	18,744	(18,744)
Public Works				
Highways and Streets	155,000	155,000	244,156	(89,156)
Sanitary Sewer	-	-	1,704	(1,704)
Conservation and Development				
Economic Development	-	-	491,281	(491,281)
Debt Service	84,350	84,350	259,761	(175,411)
Total Expenditures	<u>239,350</u>	<u>239,350</u>	<u>1,015,646</u>	<u>(776,296)</u>
Excess of Revenue Over (Under)				
Expenditures	(1,350)	(1,350)	(754,898)	(753,548)
Proceeds of Long-term Debt Issued	-	-	706,000	706,000
Net Change in Fund Balances	(1,350)	(1,350)	(48,898)	(47,548)
Fund Balance - Beginning	<u>97,885</u>	<u>97,885</u>	<u>97,885</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 96,535</u>	<u>\$ 96,535</u>	<u>\$ 48,987</u>	<u>\$ (47,548)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - LIQUOR, LODGING AND DINING FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Sales and Use Taxes	\$ 40,750	\$ 40,750	\$ 43,844	\$ 3,094
Miscellaneous Revenue				
Investment Earnings	-	-	36	36
Total Revenue	<u>40,750</u>	<u>40,750</u>	<u>43,880</u>	<u>3,130</u>
Expenditures				
Conservation & Development				
Economic Development	40,750	40,750	40,750	-
Excess of Revenue Over (Under)				
Expenditures	-	-	3,130	3,130
Fund Balance - Beginning	<u>7,058</u>	<u>7,058</u>	<u>7,058</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 7,058</u>	<u>\$ 7,058</u>	<u>\$ 10,188</u>	<u>\$ 3,130</u>

CITY OF FORT PIERRE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. It is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution to the governing board. The City did not encumber any amounts at either December 31, 2003.
6. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Capital Project Funds.
7. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting practices (GAAP).

**CITY OF FORT PIERRE
MUNICIPAL OFFICIALS
December 31, 2003**

Mayor:

Sam Tidball

Governing Board

Robert W. Cronin
Gordon Paul
Carl Rathbun
Robert Ricketts
Pat Duffy
Allen McNeely

Finance Officer:

David Page

Attorney:

Richard P. Tieszen