

**MUNICIPALITY OF BRYANT  
SCHEDULE OF FINDINGS  
INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**



MUNICIPALITY OF BRYANT  
MUNICIPAL OFFICIALS  
DECEMBER 31, 2016

Shawn Schaefer	Mayor	
Shaine Weelborg	Governing Board President	Ward I
Joe Moeller	Governing Board Vice President	Ward I
Darin Williamson	Governing Board	Ward II
Kendall Wendling	Governing Board	Ward II
Winfred Noem	Governing Board	Ward III
Ken Pedersen	Governing Board	Ward III
Kristie Sikkink	Finance Officer	
Todd Wilkinson	Attorney	



MUNICIPALITY OF BRYANT  
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# GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

[www.grantandwilliams.com](http://www.grantandwilliams.com)

Rose M. Grant, CPA, MST, CGMA  
Aleene A. Williams, CPA  
Katherine Voeltz, CPA

501 WEST 27<sup>th</sup> STREET  
Sioux Falls, SD 57105  
(605) 274-2163  
Fax: (605)-336-6783

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

To the Municipal Council of  
Municipality of Bryant:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of Municipality of Bryant, South Dakota (Municipality), as of December 31, 2016 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated September 21, 2017 which the opinion was unmodified.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2016-001 to be a material weakness.

### **Compliance and Other Matters**

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

### **Municipality's Response to Findings**

The Municipality's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Grant and Williams, Inc.  
Certified Public Accountants  
September 21, 2017

MUNICIPALITY OF BRYANT  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Prior Audit Findings:**

Finding No. 2015-001: Segregation of Duties

A reportable condition and material weakness in internal controls was noted due to lack of proper segregation of duties for revenues. The Municipal Council has added procedures for the Council to do to help reduce the risks of not having proper segregation of duties for revenues but not to eliminate the finding. This finding is restated as a current audit finding number 2016-001.

Finding No. 2015-002: Lack of oversight with municipal employees

A reportable condition and material weakness in internal controls was noted due failure to comply with South Dakota State Statutes 9-18-1, 9-21-2, 9-22-21, and 9-23-2. The Municipal Council has complied with the South Dakota State Statues in 2016. This finding was corrected.

MUNICIPALITY OF BRYANT  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Finding No. 2016-001:** A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues.

Analysis: The finance officer processed all revenue transactions from beginning to end. The finance officer was able to receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements and prepare financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the municipality.

Recommendation: We recommend that municipal officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls, whenever, and wherever possible and practical.

Auditee's Corrective Action Plan: The municipal council will continue to monitor the finance office's revenue process through monthly council reports and the implementation of compensating internal controls, whenever, and wherever possible.

Kristie Sikkink, Finance Officer, is the contact person at this entity responsible for the corrective action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Municipality of Bryant 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 continues to exist.

**CLOSING CONFERENCE**

The contents of this report were discussed with Mayor Winfred Noem; Kristie Sikkink, Finance Officer; and Shaine Weelborg, Council President on September 21, 2017.

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501 WEST 27<sup>th</sup> STREET  
Sioux Falls, SD 57105  
(605) 274-2163  
Fax: (605)-336-6783

## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Municipality of Bryant  
Bryant, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of Municipality of Bryant, South Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

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

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, and each major fund of the Municipality of Bryant, South Dakota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

## **Basis of Accounting**

We draw attention to Note 1.c. to the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the Municipality's basic financial statements. The Budgetary Comparison Schedules – Budgetary Basis – General Fund, Debt Service – TIF #1, and Capital Project – TIF #1, the Schedule of Changes in Long-Term Debt, Schedule of the Municipality's Proportionate Share of the Net Pension Liability, and Schedule of the Municipality's Contributions as 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Grant and Williams, Inc.  
Certified Public Accountants  
September 21, 2017

**MUNICIPALITY OF BRYANT  
BASIC FINANCIAL STATEMENTS**

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 254,566.27	\$ 1,037,467.04	\$ 1,292,033.31
Investments	-	401,370.02	401,370.02
Restricted Assets:			
Cash and cash equivalents	85,232.12	30,324.23	115,556.35
<b>TOTAL ASSETS</b>	<b>339,798.39</b>	<b>1,469,161.29</b>	<b>1,808,959.68</b>
 <b>NET POSITION:</b>			
Restricted for:			
Capital Projects Purposes	85,232.12	-	85,232.12
Debt Service Purposes	-	6,588.00	6,588.00
Other Purposes	-	23,736.23	23,736.23
Unrestricted	254,566.27	1,438,837.06	1,693,403.33
<b>TOTAL NET POSITION</b>	<b>\$ 339,798.39</b>	<b>\$ 1,469,161.29</b>	<b>\$ 1,808,959.68</b>

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

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Primary Government:				
Governmental Activities:				
General Government	\$ 102,790.75	\$ 110.22	\$ -	\$ 12,132.65
Public Safety	28,315.17	303.00	-	-
Public Works	68,930.99	26,447.55	11,323.16	-
Culture and Recreation	62,692.99	13,385.20	-	-
Conservation and Development	38,419.08	-	-	-
Miscellaneous Expenditures	-	3,600.00	-	-
Capital Outlay - Unallocated	17,316.00	-	-	-
Interest on Long-Term Debt	29,218.78	-	-	-
Total Governmental Activities	347,683.76	43,845.97	11,323.16	12,132.65
Business-type Activities:				
Water	83,374.10	105,671.23	-	-
Electric	1,017,326.24	567,581.82	424,106.00	-
Sewer	12,816.08	48,304.84	-	-
Total Business-Type Activities	1,113,516.42	721,557.89	424,106.00	-
Total Primary Government	<u>\$ 1,461,200.18</u>	<u>\$ 765,403.86</u>	<u>\$ 435,429.16</u>	<u>\$ 12,132.65</u>

**General Revenues:**

Taxes:

  Property Taxes

  Sales Taxes

State Shared Revenues

Unrestricted Investment Earnings

Miscellaneous Revenue

Total General Revenues and Transfers

Change in Net Position

Net Position-Beginning

Net Position-Ending

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

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (90,547.88)	\$ -	\$ (90,547.88)
(28,012.17)	-	(28,012.17)
(31,160.28)	-	(31,160.28)
(49,307.79)	-	(49,307.79)
(38,419.08)	-	(38,419.08)
3,600.00	-	3,600.00
(17,316.00)	-	(17,316.00)
(29,218.78)	-	(29,218.78)
(280,381.98)	-	(280,381.98)
-	22,297.13	22,297.13
-	(25,638.42)	(25,638.42)
-	35,488.76	35,488.76
-	32,147.47	32,147.47
(280,381.98)	32,147.47	(248,234.51)
177,005.77	-	177,005.77
138,849.54	-	138,849.54
16,911.75	-	16,911.75
1,339.52	1,147.79	2,487.31
2,652.75	-	2,652.75
336,759.33	1,147.79	337,907.12
56,377.35	33,295.26	89,672.61
283,421.04	1,435,866.03	1,719,287.07
<u>\$ 339,798.39</u>	<u>\$ 1,469,161.29</u>	<u>\$ 1,808,959.68</u>

**MUNICIPALITY OF BRYANT  
GOVERNMENTAL FUNDS**

**MUNICIPALITY OF BRYANT  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 254,566.27	\$ -	\$ -	\$ 254,566.27
Restricted Assets:				
Cash and cash equivalents	-	3,642.39	81,589.73	85,232.12
<b>TOTAL ASSETS</b>	<u>254,566.27</u>	<u>3,642.39</u>	<u>81,589.73</u>	<u>339,798.39</u>
<b>FUND BALANCES:</b>				
Restricted	-	3,642.39	81,589.73	85,232.12
Unassigned	254,566.27	-	-	254,566.27
<b>TOTAL FUND BALANCES</b>	<u>\$ 254,566.27</u>	<u>\$ 3,642.39</u>	<u>\$ 81,589.73</u>	<u>\$ 339,798.39</u>

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

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED**  
**CASH BASIS - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 143,409.83	\$ 32,726.47	\$ -	\$ 176,136.30
General Sales and Use Taxes	138,849.54	-	-	138,849.54
Penalties and Interest on Delinquent Taxes	734.77	134.70	-	869.47
Total Taxes	<u>282,994.14</u>	<u>32,861.17</u>	<u>-</u>	<u>315,855.31</u>
Licenses and Permits	<u>3.00</u>	<u>-</u>	<u>-</u>	<u>3.00</u>
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	1,319.76	-	-	1,319.76
Liquor Tax Reversion	2,974.98	-	-	2,974.98
Local Government Highway and Bridge Fund	10,263.25	-	-	10,263.25
Other	72.00	-	-	72.00
County Shared Revenue:				
County Road Tax (25%)	894.16	-	-	894.16
County Wheel Tax	165.75	-	-	165.75
Other	12,545.01	-	-	12,545.01
Total Intergovernmental Revenue	<u>28,234.91</u>	<u>-</u>	<u>12,132.65</u>	<u>40,367.56</u>
Charges for Goods and Services:				
General Government	107.22	-	-	107.22
Sanitation	25,322.55	-	-	25,322.55
Culture and Recreation	10,908.45	-	-	10,908.45
Total Charges for Goods and Services	<u>36,338.22</u>	<u>-</u>	<u>-</u>	<u>36,338.22</u>
Fines and Forfeits:				
Court Fines and Costs	303.00	-	-	303.00
Total Fines and Forfeits	<u>303.00</u>	<u>-</u>	<u>-</u>	<u>303.00</u>
Miscellaneous Revenue:				
Investment Earnings	1,339.52	-	-	1,339.52
Rentals	2,476.75	-	-	2,476.75
Liquor Operating Agreement Income	3,600.00	-	-	3,600.00
Other	3,777.75	-	-	3,777.75
Total Miscellaneous Revenue	<u>11,194.02</u>	<u>-</u>	<u>-</u>	<u>11,194.02</u>
Total Revenue	<u>\$ 359,067.29</u>	<u>32,861.17</u>	<u>12,132.65</u>	<u>\$ 404,061.11</u>

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>				
General Government:				
Legislative	\$ 15,603.35	-	-	\$ 15,603.35
Elections	-			-
Financial Administration	68,253.20	-	-	68,253.20
Other	18,934.20	-	-	18,934.20
<b>Total General Government</b>	<u>102,790.75</u>	<u>-</u>	<u>-</u>	<u>102,790.75</u>
Public Safety:				
Police	14,906.70	-	-	14,906.70
Fire	13,408.47	-	-	13,408.47
<b>Total Public Safety</b>	<u>28,315.17</u>	<u>-</u>	<u>-</u>	<u>28,315.17</u>
Public Works:				
Highways and Streets	37,166.15	-	-	37,166.15
Sanitation	31,764.84	-	-	31,764.84
<b>Total Public Works</b>	<u>68,930.99</u>	<u>-</u>	<u>-</u>	<u>68,930.99</u>
Culture and Recreation:				
Recreation	52,547.53	-	-	52,547.53
Parks	9,485.62	-	-	9,485.62
Libraries	659.84	-	-	659.84
<b>Total Culture and Recreation</b>	<u>62,692.99</u>	<u>-</u>	<u>-</u>	<u>62,692.99</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	38,419.08	-	-	38,419.08
<b>Total Conservation and Development</b>	<u>38,419.08</u>	<u>-</u>	<u>-</u>	<u>38,419.08</u>
Debt Service	-	29,218.78	-	29,218.78
Intergovernmental Expenditures				-
Capital Outlay	-	-	17,316.00	17,316.00
<b>Total Expenditures</b>	<u>301,148.98</u>	<u>29,218.78</u>	<u>17,316.00</u>	<u>347,683.76</u>
Net Change in Fund Balance	57,918.31	3,642.39	(5,183.35)	56,377.35
Fund Balance - Beginning	196,647.96	-	86,773.08	283,421.04
<b>FUND BALANCE- ENDING</b>	<u>\$ 254,566.27</u>	<u>\$ 3,642.39</u>	<u>\$ 81,589.73</u>	<u>\$ 339,798.39</u>

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

**MUNICIPALITY OF BRYANT  
PROPRIETARY FUNDS**

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 121,972.39	\$ 750,947.73	\$ 164,546.92	\$ 1,037,467.04
Investments	40,045.84	285,671.44	75,652.74	401,370.02
Restricted Cash and Cash Equivalents	-	23,736.23	6,588.00	30,324.23
Total Current Assets	<u>162,018.23</u>	<u>1,060,355.40</u>	<u>246,787.66</u>	<u>1,469,161.29</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 162,018.23</u></u>	<u><u>\$ 1,060,355.40</u></u>	<u><u>\$ 246,787.66</u></u>	<u><u>\$ 1,469,161.29</u></u>
<b>NET POSITION:</b>				
Restricted for:				
Revenue Bond Debt Service	\$ -	\$ -	\$ 6,588.00	\$ 6,588.00
Other Purposes Customer Deposits	-	23,736.23	-	23,736.23
Unrestricted	<u>162,018.23</u>	<u>1,036,619.17</u>	<u>240,199.66</u>	<u>1,438,837.06</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 162,018.23</u></u>	<u><u>\$ 1,060,355.40</u></u>	<u><u>\$ 246,787.66</u></u>	<u><u>\$ 1,469,161.29</u></u>

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

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS -**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2016**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>				
Charges for Goods and Services	\$ 98,446.51	\$ 562,581.82	\$ 38,116.84	\$ 699,145.17
Revenue Dedicated to Servicing Debt	7,224.72	-	10,188.00	17,412.72
<b>Total Operating Revenue</b>	<b>105,671.23</b>	<b>562,581.82</b>	<b>48,304.84</b>	<b>716,557.89</b>
<b>Operating Expenses:</b>				
Personal Services	-	62,201.08	-	62,201.08
Other Current Expense	21,454.04	67,610.41	1,428.56	90,493.01
Materials	39,181.00	278,300.21	1,199.52	318,680.73
Capital Assets	15,514.34	609,214.54	-	624,728.88
<b>Total Operating Expenses</b>	<b>76,149.38</b>	<b>1,017,326.24</b>	<b>2,628.08</b>	<b>1,096,103.70</b>
<b>Operating Income (Loss)</b>	<b>29,521.85</b>	<b>(454,744.42)</b>	<b>45,676.76</b>	<b>(379,545.81)</b>
<b>Nonoperating Revenue (Expense):</b>				
Operating Grants	-	424,106.00	-	424,106.00
Investment Earnings	110.29	810.43	227.07	1,147.79
Debt Service (Principal)	(4,529.19)	-	(8,564.93)	(13,094.12)
Interest Expense	(2,695.53)	-	(1,623.07)	(4,318.60)
Other	-	5,000.00	-	5,000.00
<b>Total Nonoperating Revenue (Expense)</b>	<b>(7,114.43)</b>	<b>429,916.43</b>	<b>(9,960.93)</b>	<b>412,841.07</b>
<b>Income (Loss) Before Transfers</b>	<b>22,407.42</b>	<b>(24,827.99)</b>	<b>35,715.83</b>	<b>33,295.26</b>
<b>Net Position - Beginning</b>	<b>139,610.81</b>	<b>1,085,183.39</b>	<b>211,071.83</b>	<b>1,435,866.03</b>
<b>NET POSITION - ENDING</b>	<b>\$ 162,018.23</b>	<b>\$ 1,060,355.40</b>	<b>\$ 246,787.66</b>	<b>\$ 1,469,161.29</b>

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

**MUNICIPALITY OF BRYANT**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**

**For the Year Ended December 31, 2016**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 105,671.23	\$ 562,581.82	\$ 48,304.84	\$ 716,557.89
(Payments) to Suppliers	(60,635.04)	(345,910.62)	(2,628.08)	(409,173.74)
(Payments) to Employees	-	(62,201.08)	-	(62,201.08)
Net Cash Provided (Used) by Operating Activities	<u>45,036.19</u>	<u>154,470.12</u>	<u>45,676.76</u>	<u>245,183.07</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Contributions	-	424,106.00	-	424,106.00
Purchase (Paid) of Capital Assets	(15,514.34)	(609,214.54)	-	(624,728.88)
Proceeds from Sale of Capital Assets	-	-	-	-
Principal (Paid) on Capital Debt	(4,529.19)	-	(8,564.93)	(13,094.12)
Interest (Paid) on Capital Debt	(2,695.53)	-	(1,623.07)	(4,318.60)
Other Receipts (Payments)	-	5,000.00	-	5,000.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,739.06)</u>	<u>(180,108.54)</u>	<u>(10,188.00)</u>	<u>(213,035.60)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Earnings	110.29	810.43	227.07	1,147.79
Net Cash Provided (Used) by Investing Activities	<u>110.29</u>	<u>810.43</u>	<u>227.07</u>	<u>1,147.79</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,407.42	(24,827.99)	35,715.83	33,295.26
Cash and Cash Equivalents - Beginning	139,610.81	1,085,183.39	211,071.83	1,435,866.03
Cash and Cash Equivalents - Ending	<u>\$ 162,018.23</u>	<u>\$ 1,060,355.40</u>	<u>\$ 246,787.66</u>	<u>\$ 1,469,161.29</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 29,521.85	\$ (454,744.42)	\$ 45,676.76	\$ (379,545.81)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Purchase of Capital Assets	15,514.34	609,214.54	-	624,728.88
Net Cash Provided (Used) by Operating Activities	<u>\$ 45,036.19</u>	<u>\$ 154,470.12</u>	<u>\$ 45,676.76</u>	<u>\$ 245,183.07</u>

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies**

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of the Municipality of Bryant, (Municipality) 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.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

- 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
- Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

**Governmental Funds:**

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

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

*TIF #1 Project Fund – is to account for property taxes which may be used only for the payment of the debt principal, interest and related costs. The Municipality declared this as a major fund.*

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

*Capital Projects Fund – is to account for financial resources to be used for the TIF #1 Project. The Municipality declared this as a major fund.*

**Proprietary Funds:**

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

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

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electric system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) The Municipality declared this as a major fund.

c. Measurement Focus and Basis of Accounting:

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

The Municipality’s basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

*Measurement Focus:*

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

*Fund Financial Statements:*

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, applied within the limitations of the modified cash basis of accounting.

*Basis of Accounting:*

In the government-wide Statement of Net Position and Statement of Activities and in the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements is:

- Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Long-term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases and Compensated Absences.

As discussed in Note 1c above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

f. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Proprietary Funds Revenue and Expense Classifications:

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

h. Cash and Cash Equivalents:

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

i. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as Net Position and is displayed in two components:

- Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Municipal Council, Mayor, or Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

In the current year there are no Nonspendable Fund Balances.

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

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

The Municipality does not have any major special revenue funds.

The Municipality’s restricted fund balances are due to statutory requirements.

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>TIF #1 Project Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES:</b>				
Restricted				
Capital Projects Purposes	\$ -	\$ -	\$ 81,589.73	\$ 81,589.73
Debt Service Purposes	-	3,642.39	-	3,642.39
Unassigned	<u>254,566.27</u>	<u>-</u>	<u>-</u>	<u>254,566.27</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 254,566.27</u></u>	<u><u>\$ 3,642.39</u></u>	<u><u>\$ 81,589.73</u></u>	<u><u>\$ 339,798.39</u></u>

**2. Violations of Finance-related Legal and Contractual Provisions:**

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The Municipality did not have any violations of finance-related legal or contractual provisions in the current year.

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

**3. Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:**

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

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

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

**Credit Risk** – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the Municipality’s deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2016 the Municipality’s deposits in financial institutions were all covered under the collateral of the financial institution in which the deposits are held.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that is in the possession of an outside party.

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

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

**4. Restricted Cash and Investments:**

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

\$ 3,642.39 – For TIF #1 Project    \$ 81,589.73 for Capital Projects

\$ 6,588.00 – For Debt Service by debt covenants    \$ 23,736.23 – For Deposits in Electric Fund

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

**5. Property Taxes:**

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

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

**6. Significant Contingencies – Litigation:**

At December 31, 2016, the Municipality was not involved in any litigation.

**7. Related Party Transactions:**

In 2011 the Municipality approved a tax increment financing district; part of the district was used to build a new facility in 2012 for a business owned by one of the council members.

**8. Long-Term Debt:**

Debt payable at December 31, 2016 is comprised of the following:

	<u>December 31,</u> <u>2016</u>	<u>Due Within One</u> <u>Year</u>
<b>Governmental Long-Term Debt:</b>		
<u>Other Long-term Liabilities</u>		
TIF #1 Loan; interest rate of 4%; annual payment of \$29,118.42 made in June and any additional TIF property taxes receipts received in year paid in December.	\$ 254,609.94	\$ 19,123.33
	<u>254,609.94</u>	<u>19,123.33</u>
 <b>Enterprise Long-Term Debt:</b>		
<u>Revenue Bonds:</u>		
Sewer Utility Revenue Bonds, Series 2001; matures in 2042; interest rate 4.75%; monthly payments of \$849.00. Financed through the Sewer Fund	29,540.10	8,978.61
Water Safe Drinking Revenue Bonds, Series 2000; matures on January 1, 2032; interest rate 3%; quarterly payments of \$1,806.18. Financed through the Water Fund	87,009.81	4,666.60
	<u>116,549.91</u>	<u>13,645.21</u>

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding as of December 31, 2016, including interest payments, are as follows:

YEAR	REVENUE BONDS		TIF # 1 LOAN		TOTALS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 13,645.21	\$ 3,767.51	\$ 19,123.33	\$ 9,995.09	\$ 32,768.54	\$ 13,762.60
2018	14,222.69	3,190.03	19,895.94	9,222.48	34,118.63	12,412.51
2019	14,825.62	2,587.10	20,699.74	8,418.68	35,525.36	11,005.78
2020	6,379.78	2,127.12	21,536.01	7,582.41	27,915.79	9,709.53
2021	5,259.22	1,965.50	22,406.06	6,712.36	27,665.28	8,677.86
2022 - 2026	28,788.56	7,335.04	126,362.32	19,229.78	155,150.88	26,564.82
2027 - 2031	33,428.83	2,694.77	24,586.54	702.11	58,015.37	3,396.88
	<u>\$ 116,549.91</u>	<u>\$ 23,667.07</u>	<u>\$ 254,609.94</u>	<u>\$ 61,862.91</u>	<u>\$ 371,159.85</u>	<u>\$ 85,529.98</u>

On November 5, 2015 the City received \$325,000 in a Tax Increment Loan from Bryant State Bank. They make semi-annual payments in June and December based on the amount of property taxes collected for the TIF revenue bond until the loan is paid.

The significant covenants for the Drinking Water State Revolving Fund Loan include:

1. The system property is to be insured with property and casualty insurance and liability insurance with insurers licensed to do business in the State, or risk pool coverage programs described in SDCL Chapter 3-22 against such risks and in such amounts as are customary in the State for entities of the same or similar size and type of facilities.
2. Each year the final budget needs to be sent to the South Dakota Conservancy District within 30 days of adoption.
3. A copy of the financial and compliance audit required by state law must be sent to the South Dakota Conservancy District within 15 days of approval by the State Department of Legislative Audit. If the audit report is for two fiscal years it must be completed within one year of the last fiscal year included in the audit.
4. Each fiscal year the Municipality shall ensure that the Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such year. Net Revenues Available for Debt Service is defined as “total operating revenues from the system, excluding investment income, grants, penalties, hook-up fees, sign-up fees, membership fees and similar income not received from the use of the System by the users, but including the proceeds of any business interruption insurance, less expenses of such System other than amortization of financing expenses, depreciation and interest, provided there shall be excluded from both revenues and expenses any profits or losses on the early extinguishment of debt or the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and other extraordinary gains or losses.” System Debt Service is defined as “for the period of determination, all required payments of principal and interest, including mandatory sinking fund redemptions, on all System Revenue Debt of the Borrower.”

The Municipality is in compliance with all covenants.

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

The Water Fund use charges must be established to a level not less than 110% of principal and interest due in the same year. The required amount was \$7,947.19; the Water Fund Net Revenues Available for Debt Service was \$33,016.82 which did meet the requirement during the current year.

The significant covenants for the USDA Sewer Utility Revenue Bond include:

1. Reserve Account – on a monthly basis, the Municipality shall deposit into a Reserve Account an amount equal to 10% of the maximum debt service due in any future calendar year on the bonds.
2. Surplus Account – any amount of the Surplus Net Revenues to be credited to the Surplus Account to be used to redeem and prepay bonds as they become prepayable according to their terms or to pay for repairs of or for the construction and installation of improvements or additions to the Utility.
3. Billings – the charges for Sewer Utility service will be billed at least monthly and if not paid within sixty days of the date of billing a notice of violation thereof and the service to the premises involved shall be discontinued and shall not be resumed until payment of all past-due bills for Sewer Utility service are made.

The Municipality is in compliance with all covenants.

**9. Retirement Plan**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal year ended December 31, 2016, 2015 and 2014 were \$4,725.50, \$4,808.09 and \$4,487.15, respectively, equal to the required contributions for the year.

At June 30, 2016, SDRS is 96.89% funded and accordingly has a net pension liability. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the City as of June 30, 2016 are as follows:

Proportionate share of of total pension liability	\$	460,158
Less proportionate share of net position restricted for pension benefits	\$	445,834
Proportionate share of net pension liability	\$	14,324

At December 31, 2016 the Municipality calculated a liability (asset) of \$14,324 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the City’s proportion was .0042406%, which is an increase of 0.000171% from its proportion measured as of June 30, 2015.

**Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%	
Salary Increases	5.83%	at entry to 3.87% after 30 years of service
Investment Rate of Return	7.25%	through 2017 and 7.50% thereafter, net of pension plan investment expense

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NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
total	<u>100.0%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	80,159	14,324	(39,371)

**Pension Plan Fiduciary Net Position:**

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

**10. Subsequent Events:**

The Municipality has evaluated for subsequent events through September 21, 2017, the date which the financial statements were available to be issued.

**11. Risk Management**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2016, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,500,000 lifetime maximum payment per person.

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

Liability Insurance:

The Municipality purchases liability insurance risks related to torts; thefts or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the last year.

Worker's Compensation:

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

MUNICIPALITY OF BRYANT  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits or a combined employer liability of \$2,000,000 per incident.

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

Unemployment Benefits:

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

**12. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

There were no tax abatements that affected the Municipality of Bryant in the current year.

**MUNICIPALITY OF BRYANT**

## **SUPPLEMENTARY INFORMATION**

**MUNICIPALITY OF BRYANT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 141,513.00	\$ 141,513.00	\$ 143,409.83	\$ 1,896.83
General Sales and Use Taxes	140,000.00	140,000.00	138,849.54	(1,150.46)
Penalties and Interest on	-	-	734.77	734.77
Total Taxes	<u>281,513.00</u>	<u>281,513.00</u>	<u>282,994.14</u>	<u>1,481.14</u>
Licenses and Permits	<u>5.00</u>	<u>5.00</u>	<u>3.00</u>	<u>(2.00)</u>
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,319.76	119.76
Liquor Tax Reversion	2,300.00	2,300.00	2,974.98	674.98
Local Government Highway and Bridge Fund	8,000.00	8,000.00	10,263.25	2,263.25
Other	1,000.00	1,000.00	72.00	(928.00)
County Shared Revenue:				
County Road Tax (25%)	895.00	895.00	894.16	(0.84)
County Wheel Tax	85.00	85.00	165.75	80.75
Other	8,000.00	8,000.00	12,545.01	4,545.01
Total Intergovernmental Revenue	<u>21,480.00</u>	<u>21,480.00</u>	<u>28,234.91</u>	<u>6,754.91</u>
Charges for Goods and Services:				
General Government	50.00	50.00	107.22	57.22
Sanitation	23,320.00	23,320.00	25,322.55	2,002.55
Culture and Recreation	6,500.00	6,500.00	10,908.45	4,408.45
Total Charges for Goods and Services	<u>29,870.00</u>	<u>29,870.00</u>	<u>36,338.22</u>	<u>6,468.22</u>
Fines and Forfeits:				
Court Fines and Costs	75.00	75.00	303.00	228.00
Total Fines and Forfeits	<u>75.00</u>	<u>75.00</u>	<u>303.00</u>	<u>228.00</u>
Miscellaneous Revenue:				
Investment Earnings	750.00	750.00	1,339.52	589.52
Rentals	1,100.00	1,100.00	2,476.75	1,376.75
Income	3,600.00	3,600.00	3,600.00	-
Other	7,000.00	7,000.00	3,777.75	(3,222.25)
Total Miscellaneous Revenue	<u>12,450.00</u>	<u>12,450.00</u>	<u>11,194.02</u>	<u>(1,255.98)</u>
Total Revenue	<u>345,393.00</u>	<u>345,393.00</u>	<u>359,067.29</u>	<u>13,674.29</u>

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Legislative	16,063.00	16,063.00	15,603.35	459.65
Financial Administration	68,930.00	69,030.00	68,253.20	776.80
Other	24,838.00	24,838.00	18,934.20	5,903.80
Total General Government	109,831.00	109,931.00	102,790.75	7,140.25
Public Safety:				
Police	15,100.00	15,100.00	14,906.70	193.30
Fire	22,400.00	22,400.00	13,408.47	8,991.53
Total Public Safety	37,500.00	37,500.00	28,315.17	9,184.83
Public Works:				
Highways and Streets	66,923.00	66,923.00	37,166.15	29,756.85
Sanitation	31,530.00	32,030.00	31,764.84	265.16
Total Public Works	98,453.00	98,953.00	68,930.99	30,022.01
Culture and Recreation:				
Recreation	52,796.00	53,296.00	52,547.53	748.47
Parks	7,590.00	9,590.00	9,485.62	104.38
Libraries	550.00	670.00	659.84	10.16
Total Culture and Recreation	60,936.00	63,556.00	62,692.99	863.01
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	14,000.00	39,000.00	38,419.08	580.92
Total Conservation and Development	14,000.00	39,000.00	38,419.08	580.92
Capital Outlay	-	17,500.00	-	17,500.00
Total Expenditures	320,720.00	348,940.00	301,148.98	47,791.02
Net Change in Fund Balances	24,673.00	(3,547.00)	57,918.31	61,465.31
Fund Balance - Beginning	196,647.96	196,647.96	196,647.96	-
FUND BALANCE - ENDING	\$ 221,320.96	\$ 193,100.96	\$ 254,566.27	\$ 61,465.31

**MUNICIPALITY OF BRYANT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**DEBT SERVICE - TIF #1 PROJECT**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 32,000.00	\$ 32,000.00	\$ 32,726.47	\$ 726.47
Total Revenue	<u>32,000.00</u>	<u>32,000.00</u>	<u>32,861.17</u>	<u>861.17</u>
<b>Expenditures:</b>				
Debt Service	<u>32,000.00</u>	<u>32,000.00</u>	<u>29,218.78</u>	<u>2,781.22</u>
Total Expenditures	<u>32,000.00</u>	<u>32,000.00</u>	<u>29,218.78</u>	<u>2,781.22</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>3,642.39</u>	<u>3,642.39</u>
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,642.39</u>	<u>\$ 3,642.39</u>

**MUNICIPALITY OF BRYANT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL PROJECT - TIF #1**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental Revenue:				
State Grants	-	-	\$ 12,132.65	\$ 12,132.65
Total Revenue	-	-	12,132.65	12,132.65
<b>Expenditures:</b>				
Capital Outlay	-	17,500.00	17,316.00	184.00
Total Expenditures	-	17,500.00	17,316.00	-
Net Change in Fund Balances	-	(17,500.00)	(5,183.35)	12,316.65
Fund Balance - Beginning	-	-	86,773.08	86,773.08
FUND BALANCE - ENDING	\$ -	\$ (17,500.00)	\$ 81,589.73	\$ 99,089.73

**MUNICIPALITY OF BRYANT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
Schedules of Budgetary Comparisons for the General Fund, Debt  
Service and Capital Projects Funds with a legally required budget

Note 1 Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, 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/Municipality Commission to any other budget category, except for capital outlay, that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission. The Municipality did not encumber any amounts at December 31, 2016.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
7. Budget for the General Fund is adopted on a basis consistent with a modified cash basis of accounting.

Note 2 Other Comprehensive Basis of Accounting Modified Cash Basis – Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances; however in the Budgetary SI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**MUNICIPALITY OF BRYANT**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Year Ended December 31, 2016**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2016</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2016</u>
<b>Governmental Long-Term Debt:</b>				
Other Long-Term Liabilities - TIF #1 Project	\$ 270,645.24	\$ -	\$ 16,035.30	\$ 254,609.94
<b>Enterprise Long-Term Debt:</b>				
Revenue Bonds - Sewer	38,076.82	-	8,536.72	29,540.10
Revenue Bonds - Water	91,539.00	-	4,529.19	87,009.81
<b>Total</b>	<u>\$ 400,261.06</u>	<u>\$ -</u>	<u>\$ 29,101.21</u>	<u>\$ 371,159.85</u>

**Schedule of Supplementary Information**  
**MUNICIPALITY OF BRYANT**  
**SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET)**

**South Dakota Retirement System**

Last 2 Fiscal Years \*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Municipality's proportion of the net pension liability (asset)	0.0042406%	0.0040696%	0.0042144%
Municipality's proportionate share of net pension liability (asset)	\$ 14,324.33	\$ (17,260.34)	\$ (30,363.03)
Municipality's covered-employee payroll	82,030.13	74,300.00	73,700.00
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.46%	(23.23%)	(41.20%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.10%	107.30%

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30.

**Schedule of Supplementary Information**  
**MUNICIPALITY OF BRYANT**  
**SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS**

**South Dakota Retirement System**

Last 10 Fiscal Years  
(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,726	\$ 4,808	\$ 4,422
Contributions in relation to the contractually required contribution	<u>\$ 4,726</u>	<u>\$ 4,808</u>	<u>\$ 4,422</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 78,759	\$ 80,135	\$ 73,700
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%