

MUNICIPALITY OF FORT PIERRE
AUDIT REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated January 20, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "CLO of LLC". The letters are cursive and somewhat stylized.

Chamberlain, South Dakota
January 20, 2018



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***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

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

Report on Compliance for Each Major Federal Program

We have audited the Municipality of For Pierre, South Dakota's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2016. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based upon our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Municipality of Fort Pierre complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major program are a matter of public record and their distribution is not limited.



Mitchell, South Dakota
January 20, 2018

**MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I - Summary of Auditor's Results

Financial Statements:

**Type of report the auditor issued on whether the financial statements
auditor were prepared in accordance with GAAP: Unmodified**

Internal control over financial reporting:

Material weakness(es) identified: _____ yes X no

Significant deficiencies identified _____ yes X none reported

**Noncompliance material to financial
statements noted?** _____ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified _____ yes X none reported

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

**Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)**

_____ yes X no



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of Fort Pierre, South Dakota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles, generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipal Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Municipality's Contributions on Pages 45-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 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 Schedule of Expenditures of Federal Awards 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 January 20, 2018 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Chamberlain, South Dakota
January 20, 2018

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<i>Primary Government</i>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,419,352	\$ 1,264,952	\$ 2,684,304
Accounts receivable, net	22,464	486,722	509,186
Inventories	30,010	511,375	541,385
Land held for resale	175,023	--	175,023
Special assessments receivable	218,732	--	218,732
Restricted assets:			
Investments	923,532	598,373	1,521,905
Deposits	29,390	92,997	122,387
Capital assets:			
Land	1,011,954	163,577	1,175,531
Other capital assets, net of depreciation	14,282,259	11,997,551	26,279,810
<i>Total Assets</i>	<u>18,112,716</u>	<u>15,115,547</u>	<u>33,228,263</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>172,806</u>	<u>191,363</u>	<u>364,169</u>
LIABILITIES			
Accounts payable and other current liabilities	54,418	348,254	402,672
Noncurrent liabilities:			
Due within one year	450,000	489,000	939,000
Due in more than one year	5,873,221	1,419,284	7,292,505
Pension liability	<u>75,078</u>	<u>86,816</u>	<u>161,894</u>
<i>Total Liabilities</i>	<u>6,452,717</u>	<u>2,343,354</u>	<u>8,796,071</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>6,057</u>	<u>2,287</u>	<u>8,344</u>
NET POSITION			
Net investment in capital assets	9,420,992	10,392,179	19,813,171
Restricted for:			
Capital projects purposes	327,222	339,254	666,476
Debt services	480,795	259,119	739,914
Cemetery	31,927	--	31,927
Expo building	20,842	--	20,842
Fire hall	35,000	--	35,000
Meter deposits	--	92,997	92,997
Park	27,746	--	27,746
SDRS pension purposes	91,671	102,260	193,931
Unrestricted	<u>1,390,553</u>	<u>1,775,460</u>	<u>3,166,013</u>
<i>Total Net Position</i>	<u>\$ 11,826,748</u>	<u>\$ 12,961,269</u>	<u>\$ 24,788,017</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government Total</u>
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
General government	\$ 348,097	\$ 86,995	\$ 97,175	\$ --	\$ (163,927)	\$ --	\$ (163,927)
Public safety	401,709	1,162	--	--	(400,547)	--	(400,547)
Public works	1,499,009	132,208	271,051	2,130,797	1,035,047	--	1,035,047
Health and welfare	26,110	1,030	--	--	(25,080)	--	(25,080)
Culture and recreation	436,820	38,408	--	--	(398,412)	--	(398,412)
Conservation and development	190,070	--	--	--	(190,070)	--	(190,070)
Interest on long-term debt	263,558	--	--	--	(263,558)	--	(263,558)
<i>Total Governmental Activities</i>	<u>3,165,373</u>	<u>259,803</u>	<u>368,226</u>	<u>2,130,797</u>	<u>(406,547)</u>	<u>--</u>	<u>(406,547)</u>
<i>Business-type Activities:</i>							
Water	574,261	666,409	--	4,863	--	97,011	97,011
Electric	2,319,355	2,624,922	--	17,163	--	322,730	322,730
Sewer	501,634	441,351	10,000	--	--	(50,283)	(50,283)
<i>Total Business-Type Activities</i>	<u>3,395,250</u>	<u>3,732,682</u>	<u>10,000</u>	<u>22,026</u>	<u>--</u>	<u>369,458</u>	<u>369,458</u>
<i>Total Primary Government</i>	<u>\$ 6,560,623</u>	<u>\$ 3,992,485</u>	<u>\$ 378,226</u>	<u>\$ 2,152,823</u>	<u>(406,547)</u>	<u>369,458</u>	<u>(37,089)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
Property tax					1,180,113	--	1,180,113
Sales tax					1,312,233	--	1,312,233
State shared revenues					15,432	--	15,432
Unrestricted investment earnings					8,286	2,820	11,106
Miscellaneous revenue					103,241	(2,280)	100,961
<i>Total General Revenues and Transfers</i>					<u>2,619,305</u>	<u>540</u>	<u>2,619,845</u>
<i>Change in Net position</i>					2,212,758	369,998	2,582,756
<i>Net Position-Beginning of Year</i>					<u>9,613,990</u>	<u>12,591,271</u>	<u>22,205,261</u>
<i>Net position-End of Year</i>					<u>\$ 11,826,748</u>	<u>\$ 12,961,269</u>	<u>\$ 24,788,017</u>

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

MUNICIPALITY OF FORT PIERRE, SD
BALANCE SHEET-
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS			
Cash and cash equivalents	\$ 1,258,053	\$ 263,674	\$ 1,521,727
Taxes receivable:			
Delinquent	39,951	--	39,951
Accounts receivable	7,254	--	7,254
Special assessments receivable			
Current	639	--	639
Delinquent	2,058	--	2,058
Deferred	214,604	1,431	216,035
Due from other governments	156,597	14,367	170,964
Supply inventory	30,010	--	30,010
Land held for resale	175,023	--	175,023
Restricted investments	886,437	107,205	993,642
Deposits	29,390	--	29,390
<i>Total Assets</i>	2,800,016	386,677	3,186,693
LIABILITIES AND FUND BALANCES			
Accounts payable	34,391	6,827	41,218
Accrued wages payable	12,494	--	12,494
Due to other funds	--	706	706
<i>Total Liabilities</i>	46,885	7,533	54,418
DEFERRED INFLOWS OF RESOURCES			
Property taxes	39,951	--	39,951
Flood prevention	--	161,487	161,487
Special Assessments	217,301	1,431	218,732
<i>Total Deferred Inflows of Resources</i>	257,252	162,918	420,170
FUND BALANCES			
Nonspendable	234,423	31,927	266,350
Restricted	779,232	184,299	963,531
Unassigned	1,482,224	--	1,482,224
<i>Total Fund Balances</i>	2,495,879	216,226	2,712,105
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	\$ 2,800,016	\$ 386,677	\$ 3,186,693

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total Fund Balances - Government Funds \$ 2,712,105

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,219,135

Pension related deferred outflows are components of pension liability. (asset) and therefore are not reported in the funds 172,806

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. (6,323,222)

Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds. 39,867

Pension related deferred inflows are components of pension liability. (asset) and therefore are not reported in the funds 6,057

Net Position - Governmental Funds \$ 11,826,748

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes			
General property taxes	\$ 1,050,612	\$ 125,038	\$ 1,175,650
General sales taxes	1,195,654	116,579	1,312,233
Amusement taxes	444	-	444
Penalties and interest	4,019	-	4,019
Licenses and permits	42,364	-	42,364
Intergovernmental revenue			
Federal grants	1,999,284	-	1,999,284
State grants	271,051	-	271,051
State shared revenues			
Bank franchise tax	1,880	-	1,880
Motor vehicle commercial prorata	3,147	-	3,147
Liquor tax reversion	13,552	-	13,552
Motor vehicles licenses	37,755	-	37,755
Local government highway and bridge	32,678	-	32,678
County shared revenues	4,314	-	4,314
Charges for goods and services			
General government	44,631	-	44,631
Highways and streets	51,144	-	51,144
Sanitation	3,170	-	3,170
Health	1,030	-	1,030
Culture and recreation	38,408	-	38,408
Fines and forfeits			
Court fines and costs	662	-	662
Parking fines	500	-	500
Miscellaneous revenue			
Investment earnings	8,016	270	8,286
Special assessments	131,513	-	131,513
Contributions	10,707	86,468	97,175
Other	93,535	-	93,535
Total Revenue	<u>5,040,070</u>	<u>328,355</u>	<u>5,368,425</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<i>Expenditures:</i>			
Current:			
General government:			
Executive	\$ 89,775	\$ --	\$ 89,775
Elections	21	--	21
Financial administration	220,421	--	220,421
Planning and zoning	37,880	--	37,880
Public safety:			
Police	301,847	--	301,847
Fire	17,025	--	17,025
Building inspection	82,764	--	82,764
Civil defense	73	--	73
Public works:			
Highways and streets	1,420,850	--	1,420,850
Sanitation	50,159	--	50,159
Transit	28,000	--	28,000
Health and welfare:			
Health	26,110	--	26,110
Culture and recreation:			
Recreation	115,449	--	115,449
Parks	266,528	--	266,528
Library	9,400	--	9,400
Expo building	4,061	--	4,061
Cultural arts	5,000	--	5,000
Museum	36,382	--	36,382
Conservation and development:			
Dues and fees	500	3,244	3,744
BID board economic development	--	84,738	84,738
Economic development and assistance (industrial development)	--	101,588	101,588
Debt service	<u>565,971</u>	<u>95,000</u>	<u>660,971</u>
<i>Total Expenditures</i>	<u>3,278,216</u>	<u>284,570</u>	<u>3,562,786</u>
Excess of Revenues Over (Under)			
Expenditures	<u>1,761,854</u>	<u>43,785</u>	<u>1,805,639</u>
<i>Net Change in Fund Balance</i>	1,761,854	43,785	1,805,639
FUND BALANCES - Beginning of Year	<u>734,025</u>	<u>172,441</u>	<u>906,466</u>
FUND BALANCES - End of Year	<u>\$ 2,495,879</u>	<u>\$ 216,226</u>	<u>\$ 2,712,105</u>

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

<i>Net Change in Fund Balances - Total Government Funds</i>	\$ 1,805,639
 Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	1,033,188
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(832,844)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	363,021
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises.	12,734
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(166,749)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	<u>(2,231)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 2,212,758</u></u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION-
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 325,787	\$ 780,116	\$ 159,049	\$ 1,264,952
Accounts receivable	52,589	268,523	42,722	363,834
Accounts receivable - Surcharge	--	23,822	1,125	24,947
NSF check receivables	--	1,065	--	1,065
Due from other government	592	--	--	592
Supply inventory	120,863	377,142	13,370	511,375
<i>Total Current Assets</i>	<u>499,831</u>	<u>1,450,668</u>	<u>216,266</u>	<u>2,166,765</u>
<i>Noncurrent Assets:</i>				
Restricted cash and cash equivalents	4,000	654,499	32,871	691,370
<i>Capital assets:</i>				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	4,030,120	--	4,781,926
Improvements other than buildings	2,602,234	4,537,595	8,122,569	15,262,398
Machinery and equipment	135,737	524,469	354,686	1,014,892
Accumulated depreciation	(2,141,200)	(3,431,645)	(3,488,820)	(9,061,665)
<i>Total Noncurrent Assets</i>	<u>1,380,164</u>	<u>6,431,037</u>	<u>5,041,297</u>	<u>12,852,498</u>
<i>Total Assets</i>	<u>1,879,995</u>	<u>7,881,705</u>	<u>5,257,563</u>	<u>15,019,263</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	36,504	117,923	36,936	191,363
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	19,573	203,921	5,606	229,100
Accrued wages	3,666	9,665	2,426	15,757
Customer deposits	4,000	88,997	--	92,997
Unearned revenue	592	--	--	592
Current portion of long term debt	13,000	397,000	79,000	489,000
<i>Total Current Liabilities</i>	<u>40,831</u>	<u>699,583</u>	<u>87,032</u>	<u>827,446</u>
<i>Noncurrent Liabilities:</i>				
<i>Bonds payable:</i>				
Revenue	--	853,303	440,908	1,294,211
Accrued leave payable	2,935	8,106	2,935	13,976
Other long-term debt	22,219	66,659	22,219	111,097
Net pension liability	16,132	54,132	16,552	86,816
<i>Total Noncurrent Liabilities</i>	<u>41,286</u>	<u>982,200</u>	<u>482,614</u>	<u>1,506,100</u>
<i>Total Liabilities</i>	<u>82,117</u>	<u>1,681,783</u>	<u>569,646</u>	<u>2,333,546</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	951	648	688	2,287
NET POSITION				
Net investment in capital assets	1,365,707	4,535,411	4,491,061	10,392,179
<i>Restricted net position restricted for:</i>				
Debt service	--	209,748	32,871	242,619
Revenue bond service	--	16,500	--	16,500
Facility Replacement	--	339,254	--	339,254
Meter Deposits	4,000	88,997	--	92,997
SDRS pension purposes	19,420	63,144	19,696	102,260
Unrestricted net position	442,494	1,154,239	178,727	1,775,460
<i>Total Net Position</i>	<u>\$ 1,831,621</u>	<u>\$ 6,407,293</u>	<u>\$ 4,722,355</u>	<u>\$ 12,961,269</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION-
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<i>Operating Revenues:</i>				
Charges for goods and services	\$ 666,409	\$ 2,624,922	\$ 441,351	\$ 3,732,682
Total Operating Revenues	666,409	2,624,922	441,351	3,732,682
<i>Operating Expenses:</i>				
Personal services	153,570	339,179	112,912	605,661
Other current expense	93,533	213,545	98,813	405,891
Materials	232,488	1,505,170	--	1,737,658
Depreciation	93,658	210,969	265,520	570,147
Total Operating Expenses	573,249	2,268,863	477,245	3,319,357
 <i>Operating Income (Loss)</i>	 93,160	 356,059	 (35,894)	 413,325
<i>Nonoperating Revenues:</i>				
Operating grants	--	--	10,000	10,000
Investment earnings	--	2,820	--	2,820
Miscellaneous non-operating revenue (expense)	2,901	(1,789)	(4,937)	(3,825)
Rentals	--	95	--	95
Interest expense	(1,012)	(55,427)	(19,452)	(75,891)
Gain/Loss on sale of fixed assets	--	--	1,450	1,450
Total Nonoperating Revenue	1,889	(54,301)	(12,939)	(65,351)
 <i>Net Income (Loss) Before Contributions</i>	 95,049	 301,758	 (48,833)	 347,974
 <i>Capital contributions</i>	 4,863	 17,163	 --	 22,026
 <i>Net Change in Net Position</i>	 99,912	 318,921	 (48,833)	 370,000
 <i>Net Position - Beginning of Year</i>	 1,731,709	 6,088,372	 4,771,188	 12,591,269
 <i>Net Position - End of Year</i>	 \$ 1,831,621	 \$ 6,407,293	 \$ 4,722,355	 \$ 12,961,269

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sanitary Sewer Fund</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipt from customers	\$ 666,409	\$ 2,624,922	\$ 441,351	\$ 3,732,682
Payments to suppliers	(326,021)	(1,718,715)	(98,813)	(2,143,549)
Payments to employees	(153,570)	(339,179)	(112,912)	(605,661)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	186,818	567,028	229,626	983,472
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	4,863	17,163	--	22,026
Purchase of capital assets	(39,598)	(174,537)	(96,307)	(310,442)
Debt principal paid	(12,228)	(374,127)	(74,481)	(460,836)
Debt interest paid	(1,012)	(55,427)	(19,452)	(75,891)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(47,975)	(586,928)	(190,240)	(825,143)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings	--	2,820	--	2,820
NET CASH PROVIDED BY INVESTING ACTIVITIES	--	2,820	--	2,820
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138,843	(17,080)	39,386	161,149
CASH AND CASH EQUIVALENTS - Beginning of Year	186,944	790,131	119,663	1,096,738
CASH AND CASH EQUIVALENTS - End of Year	\$ 325,787	\$ 773,051	\$ 159,049	\$ 1,257,887
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 93,160	\$ 356,059	\$ (35,894)	\$ 413,325
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	93,658	210,969	265,520	570,147
(Increase) decrease in:				
Receivables	2,056	33,946	386	36,388
Inventories	(2,714)	13,058	81	10,425
Increase (decrease) in:				
Pension related deferred outflows	4,579	13,639	4,502	22,720
Accounts and other payables	9,615	(23,874)	8,866	(5,393)
Net pension liability	16,132	54,132	16,552	86,816
Pension related deferred inflows	(27,653)	(92,489)	(28,372)	(148,514)
Accrued leave payable	(2,015)	(874)	(2,015)	(4,904)
Deposits	--	2,462	--	2,462
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 186,818	\$ 567,028	\$ 229,626	\$ 983,472

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION-
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 88,695</u>
TOTAL ASSETS	<u><u>\$ 88,695</u></u>
LIABILITIES:	
Amounts held for others	<u>\$ 88,695</u>
Total Liabilities	<u><u>\$ 88,695</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

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

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

b. **Basis of Presentation:** *(continued)*

Fund Financial Statements: *(continued)*

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

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

Governmental Funds:

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

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

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

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

Cedar Hill Cemetery Perpetual Care Fund – To account for the payments received for perpetual care of cemeteries which are permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

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

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

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

b. **Basis of Presentation:** *(continued)*

Fund Financial Statements: *(continued)*

Proprietary Funds:

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

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

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

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

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

Fiduciary Funds:

Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Municipality’s agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

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

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

c. **Measurement Focus and Basis of Accounting:**

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

Measurement Focus:

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

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

Basis of Accounting:

Government-Wide Financial Statements – In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Fort Pierre that cycle is 60 days. The revenues which are accrued at December 31, 2016 are sales tax, real estate taxes, state-shared revenues, and miscellaneous other revenues.

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

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

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

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

d. **Interfund Eliminations and Reclassifications:**

Government-Wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

e. **Deposits and Investments:**

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

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

f. **Capital Assets:**

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

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

Government-Wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual historical cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

The total December 31, 2016 balance of governmental activities capital assets are all valued at original cost. The total December 31, 2016 business-type capital assets are all valued at original cost.

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

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

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

Government-Wide Financial Statements: (continued)

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

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

The total December 31, 2016 balance of capital assets for governmental activities includes approximately twenty-five percent for which the costs were determined by estimates of the original costs. The total December 31, 2016 balance of capital assets for business-type activities includes approximately twenty-five percent for which costs were also estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon or by using deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund’s Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

Land, an inexhaustible capital asset, is not depreciated.

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

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

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

Fund Financial Statements:

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

g. **Long-Term Liabilities:**

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

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

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

h. **Program Revenues:**

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

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

i. **Deferred Inflows and Deferred Outflows of Resources:**

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

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

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

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

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

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

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

k. **Cash and Cash Equivalents:**

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

l. **Equity Classifications:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

m. **Application of Net Position:**

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

n. **Fund Balance Classification Policies and Procedures:**

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

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

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

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

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable forms such as inventory.
- Amount legally or contractually required to be maintained intact such as vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.
- Amount not in cash form such as long-term portion of notes receivable.

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

The purpose of each special revenue fund and revenue source is listed below:

US COE Fund – To account for the receipt and expenditures of grant funds from the US Army Corps of Engineers.

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

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

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

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Cemetery	\$ --	\$ 31,927	\$ 31,927
SDPAA deposits	29,390	--	29,390
Supply inventory	30,010	--	30,010
Land Available for Sale	175,023	--	175,023
	<u>234,423</u>	<u>31,927</u>	<u>266,350</u>
Restricted:			
Debt services	368,422	112,373	480,795
Cemetery Projects	--	9,675	9,675
Promotion of the City	--	62,251	62,251
Fire Hall	35,000	--	35,000
Park	27,746	--	27,746
Capital Projects	327,222	--	327,222
Expo Building	20,842	--	20,842
	<u>779,232</u>	<u>184,299</u>	<u>963,531</u>
Unassigned	<u>1,482,224</u>	<u>--</u>	<u>1,482,224</u>
Total	<u>\$ 2,495,879</u>	<u>\$ 216,226</u>	<u>\$ 2,712,105</u>

o. **Pensions:**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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

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

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

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

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

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

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

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

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

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

3. RECEIVABLES AND PAYABLES:

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

4. RESTRICTED CASH AND INVESTMENTS:

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

<u>Amount:</u>	<u>Purpose:</u>
<u>\$ 666,476</u>	For capital projects
<u>\$ 739,914</u>	For debt service
<u>\$ 31,927</u>	Cemetery projects
<u>\$ 20,842</u>	Expo building
<u>\$ 35,000</u>	Fire hall
<u>\$ 27,746</u>	Park projects
<u>\$ 92,997</u>	Customer deposits
<u>\$ 29,390</u>	For insurance

5. INVENTORY:

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

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

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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

6. PROPERTY TAXES:

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

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

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2016 is as follows:

Governmental Activities:

	<i>Balance</i> <u>1/1/2016</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>12/31/2016</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 973,462	\$ 38,492	\$ --	\$ 1,011,954
Total, not being depreciated	<u>973,462</u>	<u>38,492</u>	<u>--</u>	<u>1,011,954</u>
Capital assets, being depreciated				
Buildings	533,364	--	--	533,364
Improvements	18,005,613	925,840	57,104	18,874,349
Equipment	1,248,566	--	103,878	1,144,688
Total, being depreciated	<u>19,787,543</u>	<u>925,840</u>	<u>160,982</u>	<u>20,552,401</u>
Less accumulated depreciation for:				
Buildings	271,435	12,843	--	284,278
Improvements	4,480,949	741,604	--	5,222,553
Equipment	684,914	78,397	--	763,311
Total accumulated depreciation	<u>5,437,298</u>	<u>832,844</u>	<u>--</u>	<u>6,270,142</u>
Capital Assets Net	<u>\$ 15,323,707</u>	<u>\$ 131,488</u>	<u>\$ 160,982</u>	<u>\$ 15,294,213</u>

Depreciation expense was charged to functions as follows:

General government	\$ 575
Public safety	12,725
Public works	717,532
Culture and recreation	102,012
	<u>\$ 832,844</u>

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

7. CHANGES IN CAPITAL ASSETS: (continued)

Business-Type Activities:

	<u>Balance</u> <u>1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2016</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 163,577	\$ --	\$ --	\$ 163,577
<i>Total, not being depreciated</i>	<u>163,577</u>	<u>--</u>	<u>--</u>	<u>163,577</u>
Capital assts, being depreciated:				
Buildings	4,781,926	--	--	4,781,926
Improvements	14,946,639	315,759	--	15,262,398
Equipment	1,014,892	--	--	1,014,892
<i>Total, being depreciated</i>	<u>20,743,457</u>	<u>315,759</u>	<u>--</u>	<u>21,059,216</u>
Less accumulated depreciation for:				
Buildings	1,795,547	77,769	--	1,873,316
Improvements	6,113,663	444,744	--	6,558,407
Equipment	582,308	47,634	--	629,942
<i>Total accumulated depreciation</i>	<u>8,491,518</u>	<u>570,147</u>	<u>--</u>	<u>9,061,665</u>
 <i>Capital Assets Net</i>	 <u>\$ 12,415,516</u>	 <u>\$ (254,388)</u>	 <u>\$ --</u>	 <u>\$ 12,161,128</u>

Depreciation expense was charged to functions as follows:

Water	\$ 93,658
Electric	210,969
Sanitary Sewer	265,520
Total Depreciation Expense -	
Business-Type Activities	<u>\$ 570,147</u>

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

8. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Primary Government</i>					
Government Activities:					
Bonds Payable:					
Revenue	\$ 6,620,622	\$ --	\$ 405,426	\$ 6,215,196	\$ 411,000
Capital Leases	109,185	--	26,337	82,848	27,000
Total Debt	6,729,807	--	431,763	6,298,044	438,000
Accrued Leave	26,061	--	2,231	23,830	12,000
Total Governmental Activities	6,755,868	--	433,994	6,321,874	450,000
Business-Type Activities:					
Bonds Payable:					
Revenue	2,119,801	--	404,590	1,715,211	421,000
Capital Leases	217,580	--	52,483	165,097	54,000
Total Debt	2,337,381	--	457,073	1,880,308	475,000
Accrued Compensated Absences	32,880	--	4,904	27,976	14,000
Total Business-Type Activities	2,370,261	--	461,977	1,908,284	489,000
Total Primary Government	\$ 9,126,129	--	\$ 895,971	\$ 8,230,158	\$ 939,000

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

8. LONG-TERM DEBT: (continued)

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

Government Activity Debt:

Revenue bonds:

State Revolving Fund (SRF), Series 2011 Drainage ditch project	3% fixed; matures and final payment due July 1, 2031. This debt is serviced by the General Fund.	\$ 402,550
Series 2012 Sales Tax Revenue Bonds Street projects and refunding	.85% - 4.593% ; depending on length to maturity of individual bonds, final payment due December 1, 2032 This debt is serviced by the General Fund.	3,105,000
Series 2007 TIF No. 2 Note	7.32% fixed; note matures and final payment due December 1, 2019. This debt is serviced by TIF District #2 property tax.	207,646
Note Payable American State Bank Street repairs	Variable rate; beginning at prime rate 3.48% Rate adjustment to prime rate in 2024. Final payment due May 1, 2014. This debt is is serviced by the General Fund.	<u>2,500,000</u>
<i>Total Revenue Debt</i>		6,215,196
American State Bank Capital Lease The purchase price at commencement of financing was \$138, 132 in 2015. Final payment is due May 2019	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	82,848
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund.	<u>23,830</u>
<i>Total Governmental Activities Debt</i>		<u>6,321,874</u>

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

8. LONG-TERM DEBT: (continued)

Business Activity Debt:

Revenue bonds:

Series 2004 State Revolving Fund	3.5% ; matures June 1, 2026. This debt will be repaid from the Sanitary Sewer Fund.	\$ 248,995
Series 2002 State Revolving Fund	3.5% ; matures April 1, 2018. This debt will be repaid from the Sanitary Sewer Fund.	51,613
Series 2007 Electric Revenue Bond	4.77% ; matures October 1, 2019. This debt will be repaid from the Electric Fund.	228,936
Series 2011 Electric Surcharge Bond	2.75% ; matures December 1, 2019. This debt will be repaid from the Electric Fund.	865,000
Financing (Capital Acquisition) West Central Irv Simmons Substation	4.0% ; matures August 1, 2029. This debt will be repaid by the Electric Fund.	114,367
Series 2014 State Revolving Fund	3.25% ; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund.	<u>206,300</u>

Total Revenue Debt 1,715,211

American State Bank Capital Lease The purchase price at commencement of financing was \$275,263 in 2015. Final payment is due May 2019	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	165,097
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Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.	<u>27,976</u>
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Total Business Activity Debt 1,908,284

Grand Total \$ 8,230,158

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

8. LONG-TERM DEBT: (continued)

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

Governmental Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 411,086	\$ 209,319	\$ 26,966	\$ 1,980	\$ 438,052	\$ 211,299
2018	421,768	198,007	27,611	1,336	449,379	199,343
2019	208,600	185,674	28,271	676	236,871	186,350
2020	281,094	175,007	--	--	281,094	175,007
2021	325,115	165,217	--	--	325,115	165,217
2022-2044	4,567,533	1,077,386	--	--	4,567,533	1,077,386
TOTAL	\$ 6,215,196	\$ 2,010,610	\$ 82,848	\$ 3,992	\$ 6,298,044	\$ 2,014,602

Business-Type Activities:

Years Ending Dec. 31,	Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 420,458	\$ 58,196	\$ 53,738	\$ 3,946	\$ 474,196	\$ 62,142
2018	409,858	44,509	55,022	2,661	464,880	47,170
2019	421,696	30,468	56,337	1,346	478,033	31,814
2020	38,094	15,588	--	--	38,094	15,588
2021	40,395	14,208	--	--	40,395	14,208
2022-2044	384,710	213,101	--	--	384,710	213,101
TOTAL	\$ 1,715,211	\$ 376,070	\$ 165,097	\$ 7,953	\$ 1,880,308	\$ 384,023

As of December 31, 2016, the Municipality was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$86,704.

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

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

9. RESTRICTED NET POSITION:

Restricted Net Position for the year ended December 31, 2016 was as follows:

<i>Major Purposes:</i>	
Debt service	\$ 739,914
<i>Permanently Restricted Purposes:</i>	
Cemetary Perpetual Care - Nonexpendible	\$ 31,927
<i>Other Purposes:</i>	
Capital projects	\$ 666,476
Expo building	20,842
Fire hall	35,000
Customer deposits	92,997
Park	27,746
SDRS pension purposes	193,931
<i>Total Other Purposes:</i>	\$ 1,036,992

10. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined at 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.33 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

10. PENSION PLAN: (continued)

Benefits Provided: (continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality’s share of contributions to the SDRS for the fiscal years ended December 31, 2016, 2015, and 2014 were \$ 554,680, \$50,033, and \$51,348, respectively, equal to the required contributions each year.

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

At June 30, 2016, SDRS is 96.9% funded and accordingly has a net pension liability. The proportionate shares of the components of the net position asset of South Dakota Retirement System, for the Municipality as of this measurement period and reported by the Municipality as of December 31, 2016 are as follows:

Proportionate share of pension liability	\$ 5,200,680
Less proportionate share of total pension restricted for pension benefits	5,038,786
Proportionate share of net pension liability (asset)	\$ 161,894

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

10. PENSION PLAN: (continued)

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

At December 31, 2016, the Municipality reported a liability (asset) of 161,893 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 Municipality's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2016, the Municipality's proportion was .04792700%, which is an increase of .00225% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality recognized pension expense (revenue) of \$54,456. At December 31, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 56,359	\$ —
Changes in assumption	96,966	—
Net Difference between projected and actual earnings on pension plan investments	180,079	—
Changes in proportion and difference between City contributions and proportionate share of contributions	3,839	8,344
City contributions subsequent to the measurement date	26,926	—
Total Revenues	\$ 364,169	\$ 8,344

\$26,926 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (revenue) as follows:

<i>Year Ended</i>	
<i>December 31:</i>	
2017	\$ 87,734
2018	52,189
2019	111,663
2020	74,058
	\$ 325,644

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

10. PENSION PLAN: (continued)

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 percent
Salary increased	5.83 percent at entry to 3.87 percent after 30 years of service
Investment rate of return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

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, 2015 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, 2015 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Expected Real Rate of Return</i>
Global equity	58.0%	4.5%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100%</u>	

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

10. PENSION PLAN: (continued)

Discount Rate:

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

Sensitivity of Liability to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 905,949	\$ 161,894	\$ (444,965)

Pension Plan Fiduciary Net Position:

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

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

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Liability Insurance:

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

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

11. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

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

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

As of December 31, 2016, the Municipality has vested balance in the cumulative reserve fund of \$29,390.

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

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

Unemployment Benefits:

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

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

12. JOINT VENTURES:

Exposition Building:

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

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

The Municipality's interest in the facility as of December 31, 2016 is reported as a capital asset. Hughes County is acting the capamunicipality of fiscal agent during the construction of the facility and currently, while the Municipality of Pierre acted in the capamunicipality of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2016, this joint venture had total fund equity of \$138,944.

Stanley County Law Enforcement:

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

As of December 31, 2016, this joint venture had a total equity of \$88,695.

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

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property tax	\$ 1,082,745	\$ 1,082,745	\$ 1,050,611	\$ (32,134)
General sales and use tax	1,237,357	1,237,357	1,195,654	(41,703)
Amusement tax	600	600	444	(156)
Penalties and interest on taxes	3,000	3,000	4,019	1,019
Licenses and permits	40,700	40,700	42,364	1,664
Intergovernmental:				
Federal grants	--	315,000	1,999,284	1,684,284
State grants	--	37,100	271,051	233,951
State shared revenues				
Bank franchise tax	1,800	1,800	1,880	80
Motor vehicle commercial prorate	5,000	5,000	3,147	(1,853)
Liquor tax reversion	12,500	12,500	13,552	1,052
Motor vehicle licenses (5%)	30,000	30,000	37,755	7,755
Local government highway and bridge fund	30,000	30,000	32,678	2,678
County Shared Revenue:				
County road tax (25%)	4,444	4,444	4,314	(130)
Charges for Goods and Services:				
General government	64,012	64,012	44,631	(19,381)
Highway and streets	54,280	54,280	51,144	(3,136)
Sanitation	600	600	3,170	2,570
Health	1,500	1,500	1,030	(470)
Culture and recreation	27,550	27,550	38,408	10,858
Fines and Forfeits:				
Court fines and costs	200	200	662	462
Parking Fines	750	750	500	(250)
Miscellaneous Revenue:				
Investment earnings	2,500	2,500	8,016	5,516
Special assessments	3,500	3,500	1,165	(2,335)
Special maintenance fee	135,386	135,386	130,348	(5,038)
Contributions and donations	--	10,000	10,707	707
Other	791	791	12,905	12,114
T.V. franchise	24,000	24,000	30,674	6,674
Comp for loss/damaged assets	--	49,900	49,956	56
TOTAL REVENUES	<u>2,763,215</u>	<u>3,175,215</u>	<u>5,040,069</u>	<u>1,864,854</u>

See accompanying Note to Budgetary Comparison Schedules

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<i>Variance with</i> <i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
EXPENDITURES				
General Government:				
Mayor & council	\$ 72,555	\$ 89,805	\$ 89,775	\$ 30
Elections	1,500	1,500	21	1,479
Legal	75,000	87,250	77,553	9,697
Financial administration	143,330	143,330	142,868	462
Planning/zoning	47,637	47,637	37,880	9,757
Public Safety:				
Police	314,547	314,547	301,847	12,700
Fire	88,014	88,014	17,025	70,989
Building inspection	19,041	19,041	82,764	(63,723)
Civil defense	1,500	1,500	73	1,427
Public Works:				
Shop	46,260	65,260	46,305	18,955
Public works administration	119,555	155,555	100,556	54,999
Highways and streets	953,013	1,201,513	1,246,975	(45,462)
Snow removal	14,129	27,629	27,014	615
Street cleaning	34,814	34,814	35,836	(1,022)
Solid waste	14,098	26,848	14,323	12,525
Transit	28,000	28,000	28,000	-
Health and Welfare:				
Health	33,610	33,610	26,110	7,500
Culture and Recreation:				
Swimming pool	71,868	89,618	88,899	719
Community youth involved	36,000	36,000	26,550	9,450
Parks	293,879	293,879	266,528	27,351
Libraries	9,400	9,400	9,400	-
Expo building	-	-	4,061	(4,061)
Cultural arts	5,000	5,000	5,000	-
Museums	10,132	45,132	36,382	8,750
Conservation and Development:				
Conservation & development	500	500	500	-
Debt Service	567,423	567,423	565,971	1,452
TOTAL EXPENDITURES	<u>3,000,805</u>	<u>3,412,805</u>	<u>3,278,216</u>	<u>134,589</u>
Excess of Revenues Over				
Expenditures	<u>(237,590)</u>	<u>(237,590)</u>	<u>1,761,853</u>	<u>1,999,443</u>
Net Change in Fund Balances	<u>(237,590)</u>	<u>(237,590)</u>	<u>1,761,853</u>	<u>1,999,443</u>
FUND BALANCE, Beginning of Year	<u>734,025</u>	<u>734,025</u>	<u>734,025</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 496,435</u>	<u>\$ 496,435</u>	<u>\$ 2,495,878</u>	<u>\$ 1,999,443</u>

See accompanying Note to Budgetary Comparison Schedules.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED
DECEMBER 31, 2016

Note 1. Budgets and Budgetary Accounting:

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 51,348	\$ 50,033	\$ 54,680
Contributions in relation to the contractually required contribution	<u>51,348</u>	<u>50,033</u>	<u>54,680</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 855,796	\$ 833,928	\$ 911,329
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%

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

	<u>2015</u>	<u>2016</u>
Municipality's proportion of the net pension liability (asset)	0.05%	0.05%
Municipality's proportionate share of net pension liability (asset)	\$ (193,729)	\$ 161,893
Municipality's covered-employee payroll	\$ 855,796	\$ 911,329
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.64%	-17.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%	96.89%

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -
PENSION SCHEDULES (SDRS)

CHANGES OF BENEFIT TERMS:

No significant changes.

CHANGES OF ASSUMPTIONS:

No significant changes.

SUPPLEMENTARY INFORMATION

**MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<i>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS- THROUGH GRANTOR</i>	<i>NAME OF GRANT - GRANT ID NUMBER</i>	<i>FEDERAL EXPENDITURE</i>
<i>US Department of Homeland Security</i>				
<i>Pass-Through Program - SD Department of Public Safety</i>				
<i>SD Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)</i>	97.036	SD DEPARTMENT OF PUBLIC SAFETY, DR- 1984-SD	1984DR SDP00000001	\$ 1,962,674
<i>US Department of Transportation</i>				
<i>Department of Transportation Pass-Through Program - SD Department of Transportation</i>				
<i>SD Department of Transportation Highway Planning and Construction</i>	20.205			<u>36,610</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,999,284</u></u>

MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Municipality does not use the 10-percent De Minimis indirect cost rate as allowed under the Uniform Guidance.

***MUNICIPALITY OF FORT PIERRE, SD
MUNICIPAL OFFICIALS
DECEMBER 31, 2016***

Governing Board Members:

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

Municipality Finance Officer:

Roxanne Heezen

Municipality Attorney:

Tieszen Law Office