

CITY OF MITCHELL
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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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 City Council
City of Mitchell, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Mitchell's basic financial statements and have issued our report thereon dated January 5, 2019. Our report includes a reference to other auditors who audited the financial statements of "The Housing and Redevelopment Commission of the City of Mitchell" as described in our report on the City of Mitchell's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mitchell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mitchell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CIO Prof LLC".

Mitchell, South Dakota
January 5, 2019



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

**To the City Council
City of Mitchell, South Dakota**

Report on Compliance for Each Major Federal Program

We have audited City of Mitchell's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Mitchell's major federal programs for the year ended December 31, 2017. City of Mitchell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mitchell's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 City of Mitchell'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 for each major federal program. However, our audit does not provide a legal determination on City of Mitchell's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mitchell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Report on Internal Control Over Compliance

The management of City of Mitchell 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 City of Mitchell'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 our 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 City of Mitchell'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 a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Handwritten signature in blue ink that reads "CLO of LLC".

Mitchell, South Dakota
January 5, 2019

CITY OF MITCHELL
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit findings contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Section I - Summary of Independent Auditor's Results

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- g. The federal awards tested as major programs were:
 - 20.509 Formula Grants for Rural Areas
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was
\$750,000
- i. City of Mitchell did not qualify as a low-risk entity.

Section II - Federal Financial Statement Findings

There are no written current federal compliance audit findings to report.

Section III - Other Financial Statement Findings

There are no written current (other) audit findings to report.



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mitchell, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Mitchell, South Dakota, (HRC) which represent 100% of the total assets at June 30, 2017 and 100% of the total revenue for the year then ended of the aggregate discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the aggregate discretely presented component unit is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mitchell as of December 31, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Funding Progress (OPEB), Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of Municipality's Contributions (SDRS) as listed in the table of contents 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 supplemental 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 City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 City of Mitchell's financial statements. The Schedule of Expenditures of Federal Awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2019 on our consideration of the City of Mitchell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report solely is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mitchell'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 City of Mitchell's internal control over financial reporting and compliance.

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

Mitchell, South Dakota
January 5, 2019

CITY OF MITCHELL
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<i>Primary Government</i>		<i>Total</i>	<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>		
ASSETS:				
Cash and cash equivalents	\$ 13,087,434	\$ 6,001,174	\$ 19,088,608	\$ 1,717,957
Investments	1,794,340	-	1,794,340	-
Accounts receivable	152,122	966,069	1,118,191	12,836
Internal balances	150,000	(150,000)	-	-
Inventories	398,984	348,894	747,878	-
Other assets	1,734,095	122,118	1,856,213	5,931
Restricted assets:				
Cash and cash equivalents	1,614,031	356,799	1,970,830	-
Investments	775,000	1,047,613	1,822,613	-
Deposits	226,377	-	226,377	-
Net pension asset	37,275	7,634	44,909	-
Capital assets:				
Land and construction in progress	10,771,750	1,571,362	12,343,112	-
Other capital assets, net of depreciation	44,945,883	56,783,177	101,729,060	1,583,465
TOTAL ASSETS	75,687,291	67,054,840	142,742,131	3,320,189
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	3,788,307	775,918	4,564,225	94,316
LIABILITIES:				
Accounts payable	912,070	466,193	1,378,263	13,464
Other current liabilities	163,000	972,332	1,135,332	122,197
Noncurrent liabilities:				
Net OPEB Obligation	253,099	59,739	312,838	-
Due within one year	2,285,239	545,631	2,830,870	594
Due in more than one year	20,575,945	4,890,478	25,466,423	28,706
TOTAL LIABILITIES	24,189,353	6,934,373	31,123,726	164,961
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows of resources	720,007	147,471	867,478	33,059
TOTAL DEFERRED INFLOWS OF RESOURCES	720,007	147,471	867,478	33,059
NET POSITION:				
Net Investment in capital assets	32,856,449	54,095,537	86,951,986	1,583,465
Restricted for:				
Other-component unit	-	-	-	1,292,109
Capital projects purposes	94,331	328,859	423,190	-
Debt service purposes	2,867,492	27,940	2,895,432	-
Other purposes	548,496	-	548,496	-
Landfill closure and post-closure costs	-	1,047,613	1,047,613	-
SDRS pension purposes	3,105,575	636,081	3,741,656	34,491
Risk pool capitalization contribution	226,377	-	226,377	-
Unrestricted	14,867,518	4,612,884	19,480,402	306,420
TOTAL NET POSITION	\$ 54,566,238	\$ 60,748,914	\$ 115,315,152	\$ 3,216,485

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

CITY OF MITCHELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
<i>Governmental Activities:</i>								
General government	\$ 1,693,153	\$ 35,672	\$ 1,836,203	\$ --	\$ 178,722	\$ --	\$ 178,722	\$ --
Public safety	5,450,641	593,273	--	--	(4,857,368)	--	(4,857,368)	--
Public works	2,487,881	102,302	--	--	(2,385,579)	--	(2,385,579)	--
Health and welfare	2,672,732	873,630	--	--	(1,799,102)	--	(1,799,102)	--
Culture and recreation	1,854,405	810,909	--	--	(1,043,496)	--	(1,043,496)	--
Conservation and development	482,500	--	--	--	(482,500)	--	(482,500)	--
Interest on long-term debt	2,526,108	--	--	--	(2,526,108)	--	(2,526,108)	--
Total Governmental Activities	17,167,420	2,415,786	1,836,203	--	(12,915,431)	--	(12,915,431)	--
<i>Business-type Activities:</i>								
Water	3,443,622	3,152,274	--	--	--	(291,348)	(291,348)	--
Sewer	1,588,199	2,083,247	--	--	--	495,048	495,048	--
Airport	569,318	187,426	126,337	--	--	(255,555)	(255,555)	--
Sanitation	1,762,903	2,160,352	--	--	--	397,449	397,449	--
Corn Palace	2,064,097	989,581	--	--	--	(1,074,516)	(1,074,516)	--
Golf	498,443	384,987	--	--	--	(113,456)	(113,456)	--
Campground	49,139	52,117	--	--	--	2,978	2,978	--
Total Business-type Activities	9,975,721	9,009,984	126,337	--	--	(839,400)	(839,400)	--
Total Primary Government	\$ 27,143,141	\$ 11,425,770	\$ 1,962,540	\$ --	(12,915,431)	(839,400)	(13,754,831)	--
<i>Component Unit:</i>								
Housing and Redevelopment Commission	\$ 627,086	\$ 211,680	\$ 330,525	\$ 567,920	--	--	--	483,039
<i>General Revenues:</i>								
<i>Taxes:</i>								
Property taxes					6,374,617	--	6,374,617	--
Sales taxes					12,175,822	--	12,175,822	--
<i>Revenue from State Sources:</i>								
State shared revenues					710,288	--	710,288	--
<i>Revenue from Federal Sources</i>								
Grants and Contributions not Restricted to Specific Programs					--	--	--	--
Unrestricted investment earnings					148,480	74,174	222,654	3,240
Miscellaneous revenues					70,061	183	70,244	--
<i>Transfers</i>					(920,084)	920,084	--	--
Total General Revenues and Transfers					18,559,184	994,441	19,553,625	3,240
<i>Special Items</i>					--	--	--	(97,780)
Change in Net Position					5,643,753	155,041	5,798,794	388,499
<i>NET POSITION, Beginning of Year</i>					48,922,485	60,593,873	109,516,358	2,827,986
<i>NET POSITION, End of Year</i>					\$ 54,566,238	\$ 60,748,914	\$ 115,315,152	\$ 3,216,485

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

CITY OF MITCHELL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<i>General Fund</i>	<i>Park Fund</i>	<i>Indoor Swimming Pool Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS:					
Cash and cash equivalents	\$ 5,228,357	\$ 347,820	\$ 4,101,570	\$ 2,456,674	\$ 12,134,421
Investments	1,794,340	--	--	--	1,794,340
Taxes receivable-delinquent	56,895	--	--	--	56,895
Accounts Receivable	31,993	70,851	--	49,218	152,062
Special assessments receivable					
Current	3,114	--	--	6,129	9,243
Delinquent	11,493	--	--	1,076	12,569
Deferred	25,649	--	--	5,386	31,035
Due from other funds	248,557	--	--	--	248,557
Due from other governments	1,506,917	--	--	117,436	1,624,353
Supply inventory	348,682	39,283	--	11,019	398,984
Deposits	226,377	--	--	--	226,377
Restricted cash	1,614,031	--	--	--	1,614,031
Restricted investments	775,000	--	--	--	775,000
<i>Total Assets</i>	<u>\$ 11,871,405</u>	<u>\$ 457,954</u>	<u>\$ 4,101,570</u>	<u>\$ 2,646,938</u>	<u>\$ 19,077,867</u>
LIABILITIES AND FUND BALANCES:					
<i>Liabilities:</i>					
Accounts payable	\$ 197,331	\$ 85,434	\$ 440,764	\$ 44,301	\$ 767,830
Due to other funds	--	--	--	98,557	98,557
<i>Total Liabilities</i>	<u>197,331</u>	<u>85,434</u>	<u>440,764</u>	<u>142,858</u>	<u>866,387</u>
<i>Deferred inflows of resources:</i>					
Unavailable revenue	1,161,404	--	--	72,280	1,233,684
<i>Total Deferred Inflows of Resources</i>	<u>1,161,404</u>	<u>--</u>	<u>--</u>	<u>72,280</u>	<u>1,233,684</u>
<i>Fund Balances:</i>					
Nonspendable	575,059	39,283	--	11,019	625,361
Restricted	2,389,031	33,287	--	1,088,001	3,510,319
Assigned	2,912,100	299,950	3,660,806	1,332,780	8,205,636
Unassigned	4,636,480	--	--	--	4,636,480
<i>Total Fund Balances</i>	<u>10,512,670</u>	<u>372,520</u>	<u>3,660,806</u>	<u>2,431,800</u>	<u>16,977,796</u>
TOTAL LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES, AND FUND BALANCES	<u>\$ 11,871,405</u>	<u>\$ 457,954</u>	<u>\$ 4,101,570</u>	<u>\$ 2,646,938</u>	<u>\$ 19,077,867</u>

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

CITY OF MITCHELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Fund Balances Government Funds \$ 16,977,796

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

Net pension asset reported in governmental activities is not available financial resource and therefore is not reported in 37,275

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 55,717,633

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 3,788,307

Long-term liabilities, including bonds payable, net pension liability, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds. (23,114,283)

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. 109,742

Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements. 1,123,942

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (720,007)

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. 645,833

Net Position Governmental Activities \$ 54,566,238

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Park Fund</u>	<u>Indoor Swimming Pool Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>					
<i>Revenue from Local Sources:</i>					
Taxes:					
General property taxes	\$ 4,872,984	\$ --	\$ --	\$ 996,135	\$ 5,869,119
General sales taxes	11,072,076	--	--	1,014,258	12,086,334
Gross receipts taxes	203,764	--	--	--	203,764
Amusement taxes	1,608	--	--	--	1,608
911 telephone surcharge	--	--	--	264,490	264,490
Penalties and interest on taxes	8,583	--	--	--	8,583
Licenses and permits	211,863	--	--	--	211,863
Intergovernmental Revenue:					
Federal grants	12,891	8,000	--	690,092	710,983
State grants	679,678	--	--	144,222	823,900
State shared revenues	700,322	--	--	--	700,322
County shared revenues	1	--	--	--	1
Other	9,966	--	--	--	9,966
Charges for Goods or Services:					
General government	3,101	--	--	--	3,101
Public safety	90,737	--	--	251,196	341,933
Highways and streets	8,579	--	--	--	8,579
Health	--	--	--	430,896	430,896
Culture and recreation	--	810,909	--	--	810,909
Ambulance	442,734	--	--	--	442,734
Cemetery	93,723	--	--	--	93,723
Fines and Forfeits:					
Court fines	2,259	--	--	--	2,259
Other fines	14,918	--	--	22,300	37,218
Miscellaneous Revenue:					
Interest earned	130,706	--	17,774	--	148,480
Rentals	2,300	4,500	--	--	6,800
Special assessments	14,246	--	--	11,525	25,771
Contributions from private sources	205,642	59,282	--	36,396	301,320
Other	46,606	--	--	4,642	51,248
TOTAL REVENUES	\$ 18,829,287	882,691	17,774	3,866,152	23,595,904

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

	<u>General Fund</u>	<u>Park Fund</u>	<u>Indoor Swimming Pool Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>EXPENDITURES</u>					
General Government:					
Legislative	\$ 142,751	\$ --	\$ --	\$ --	\$ 142,751
Executive	478,505	--	--	--	478,505
Elections	7,523	--	--	--	7,523
Financial administration	1,096,510	--	--	--	1,096,510
Other	398,475	--	--	--	398,475
Public Safety:					
Police	3,100,290	--	--	--	3,100,290
Fire	1,292,427	--	--	--	1,292,427
Other protection	--	--	--	827,277	827,277
Public Works:					
Highways and streets	1,857,553	--	--	--	1,857,553
Cemeteries	204,518	--	--	--	204,518
Health and Welfare:					
Health	66,500	--	--	1,439,751	1,506,251
Humane society	74,290	--	--	--	74,290
Ambulance	985,739	--	--	--	985,739
Culture and Recreation:					
Recreation	134,634	--	--	--	134,634
Parks	--	954,480	--	--	954,480
Libraries	555,214	--	--	8,551	563,765
Conservation and Development:					
Economic opportunity	142,500	--	--	340,000	482,500
Debt Service	4,210,429	--	--	1,049,682	5,260,111
Capital Outlay	2,986,558	1,922,460	4,245,357	264,413	9,418,788
TOTAL EXPENDITURES	17,734,416	2,876,940	4,245,357	3,929,674	28,786,387
Excess of Revenues Over (Under)					
Expenditures	1,094,871	(1,994,249)	(4,227,583)	(63,522)	(5,190,483)
OTHER FINANCING SOURCES (USES):					
Transfers-in	--	1,969,596	35,500	390,188	2,395,284
Transfers-out	(2,975,368)	--	--	(340,000)	(3,315,368)
Proceeds of long-term debt	1,545,000	--	2,227,000	--	3,772,000
Sale of City property	15,869	1,914	--	1,027	18,810
TOTAL OTHER FINANCING SOURCES (USES)	(1,414,499)	1,971,510	2,262,500	51,215	2,870,726
Net Change in Fund Balances	(319,628)	(22,739)	(1,965,083)	(12,307)	(2,319,757)
FUND BALANCE, Beginning of Year	10,832,298	395,259	5,625,889	2,444,107	19,297,553
FUND BALANCE, End of Year	\$ 10,512,670	\$ 372,520	\$ 3,660,806	\$ 2,431,800	\$ 16,977,796

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

CITY OF MITCHELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances Total Government Funds \$ (2,319,757)

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. 9,418,788

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. (1,774,207)

In the statement of activities, losses \$2,040,041 of disposal of capital assets are reported, whereas , in the governmental funds, the proceeds \$18,810 from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized. (=gain,-losses, -proceeds-amount) (2,021,231)

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. 4,019,429

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (3,772,000)

The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in the the fund financial statements require the amounts to be "available". 12,275

The fund financial statement governmental fund sales and use tax tax accruals differ from the government wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available". 89,488

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 legal claim arises. 14,778

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. 223,065

Changes in the Net OPEB obligation and pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 1,351,419

Internal services funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 401,706

Change in Net Position of Governmental Activities \$ 5,643,753

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2017

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Airport Fund</i>	<i>Sanitation Fund</i>	<i>Corn Palace Funds</i>	<i>Golf Funds</i>	<i>Campground Fund</i>	<i>Total</i>	<i>Internal Service Fund</i>
ASSETS:									
<i>Current Assets:</i>									
Cash and cash equivalents	\$ 1,452,074	\$ 1,234,854	\$ 97,372	\$ 3,165,450	\$ 32,140	\$ 15,833	\$ 3,451	\$ 6,001,174	\$ 953,013
Investments	--	--	--	--	--	--	--	--	--
Accounts receivable	344,965	324,210	6,427	277,384	12,989	57	37	966,069	60
Due from other governments	--	--	122,118	--	--	--	--	122,118	--
Supply inventory	260,902	31,497	5,586	11,153	23,777	15,979	--	348,894	--
<i>Total Current Assets</i>	<u>2,057,941</u>	<u>1,590,561</u>	<u>231,503</u>	<u>3,453,987</u>	<u>68,906</u>	<u>31,869</u>	<u>3,488</u>	<u>7,438,255</u>	<u>953,073</u>
<i>Noncurrent Assets:</i>									
Restricted cash and cash equivalents	--	80,000	--	27,940	248,859	--	--	356,799	--
Restricted investments	--	--	--	1,047,613	--	--	--	1,047,613	--
Net pension asset	1,796	1,347	449	2,246	1,347	449	--	7,634	--
<i>Capital Assets:</i>									
Land	154,027	148,092	39,743	550,373	50,650	169,843	--	1,112,728	--
Buildings	12,935,319	291,263	571,487	2,179,002	8,495,555	314,500	--	24,787,126	--
Improvements other than buildings	24,995,913	13,154,151	17,237,290	2,680,945	55,053	1,171,581	--	59,294,933	--
Machinery and equipment	3,523,975	6,487,623	729,039	2,440,548	644,896	619,298	--	14,445,379	--
Construction in progress	--	458,634	--	--	--	--	--	458,634	--
Intangible assets	--	2,500	--	--	--	--	--	2,500	--
Accumulated depreciation	<u>(15,302,166)</u>	<u>(7,631,299)</u>	<u>(12,005,799)</u>	<u>(3,338,233)</u>	<u>(1,927,604)</u>	<u>(1,541,660)</u>	<u>--</u>	<u>(41,746,761)</u>	<u>--</u>
<i>Total Noncurrent Assets</i>	<u>26,308,864</u>	<u>12,992,311</u>	<u>6,572,209</u>	<u>5,590,434</u>	<u>7,568,756</u>	<u>734,011</u>	<u>--</u>	<u>59,766,585</u>	<u>--</u>
TOTAL ASSETS	<u>28,366,805</u>	<u>14,582,872</u>	<u>6,803,712</u>	<u>9,044,421</u>	<u>7,637,662</u>	<u>765,880</u>	<u>3,488</u>	<u>67,204,840</u>	<u>953,073</u>
DEFERRED OUTFLOWS OF RESOURCES:									
Pension related deferred outflows	<u>182,569</u>	<u>136,927</u>	<u>45,642</u>	<u>228,211</u>	<u>136,927</u>	<u>45,642</u>	<u>--</u>	<u>775,918</u>	<u>--</u>

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2017
(CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Airport Fund</u>	<u>Sanitation Fund</u>	<u>Corn Palce Funds</u>	<u>Golf Funds</u>	<u>Campground Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
LIABILITIES:									
<i>Current Liabilities:</i>									
Accounts payable	\$ 179,301	\$ 211,169	\$ 4,934	\$ 41,001	\$ 28,973	\$ 305	\$ 510	\$ 466,193	\$ 144,240
Due to other funds	--	75,000	--	--	--	75,000	--	150,000	--
Incurring but not reported claims payable	--	--	--	--	--	--	--	--	163,000
Compensated absences payable current	6,853	8,489	1,122	8,876	3,226	3,798	--	32,364	--
Capital lease obligations current	--	61,023	--	--	--	--	--	61,023	--
Bonds payable - current:									
Revenue	243,119	94,349	--	114,776	--	--	--	452,244	--
Total Current Liabilities	429,273	450,030	6,056	164,653	32,199	79,103	510	1,161,824	307,240
<i>Noncurrent Liabilities:</i>									
Bonds payable:									
Revenue	2,333,397	1,464,516	--	932,877	--	--	--	4,730,790	--
Capital lease obligations	--	62,598	--	--	--	--	--	62,598	--
Accrued leave payable	20,559	25,466	3,366	26,628	9,678	11,393	--	97,090	--
Accrued landfill closure and postclosure costs	--	--	--	972,332	--	--	--	972,332	--
Net OPEB Obligation	13,813	10,362	1,605	16,724	14,246	2,989	--	59,739	--
Total Noncurrent Liabilities	2,367,769	1,562,942	4,971	1,948,561	23,924	14,382	--	5,922,549	--
TOTAL LIABILITIES	2,797,042	2,012,972	11,027	2,113,214	56,123	93,485	510	7,084,373	307,240
<i>DEFERRED INFLOWS OF RESOURCES:</i>									
Pension related deferred inflows	34,699	26,024	8,675	43,374	26,024	8,675	--	147,471	--
NET POSITION									
Net investment in capital assets	23,730,552	11,228,478	6,571,760	4,512,634	7,318,551	733,562	--	54,095,537	--
Restricted for:									
Revenue bond debt service	--	--	--	27,940	--	--	--	27,940	--
Equipment repair and/or replacement	--	80,000	--	--	248,859	--	--	328,859	--
Landfill closure and post-closure costs	--	--	--	1,047,613	--	--	--	1,047,613	--
SDRS pension purposes	149,666	112,250	37,416	187,083	112,250	37,416	--	636,081	--
Unrestricted net position	1,837,415	1,260,075	220,476	1,340,774	12,782	(61,616)	2,978	4,612,884	645,833
Total Net Position	\$ 25,717,633	\$ 12,680,803	\$ 6,829,652	\$ 7,116,044	\$ 7,692,442	\$ 709,362	\$ 2,978	\$ 60,748,914	\$ 645,833

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

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Airport Fund</i>	<i>Sanitation Fund</i>	<i>Corn Palace Fund</i>	<i>Golf Fund</i>	<i>Campground Fund</i>	<i>Total</i>	<i>Internal Service Fund</i>
OPERATING REVENUES:									
Charges for goods and services	\$ 3,152,274	\$ 2,083,137	\$ 187,426	\$ 2,160,352	\$ 980,836	\$ 384,962	\$ 52,117	\$ 9,001,104	\$ --
Contributions and donations	--	--	--	--	8,745	--	--	8,745	--
Miscellaneous	--	--	--	--	--	25	--	25	2,847,774
<i>Total Operating Revenue</i>	<u>3,152,274</u>	<u>2,083,137</u>	<u>187,426</u>	<u>2,160,352</u>	<u>989,581</u>	<u>384,987</u>	<u>52,117</u>	<u>9,009,874</u>	<u>2,847,774</u>
OPERATING EXPENSES:									
Personal services	434,950	415,188	78,794	641,501	664,033	226,056	20,596	2,481,118	--
Cost of sales	859,129	--	--	--	176,929	--	--	1,036,058	--
Other current expense	1,332,564	736,250	22,330	787,985	1,020,330	197,857	28,543	4,125,859	2,446,068
Depreciation	723,590	394,811	468,194	296,929	202,805	74,530	--	2,160,859	--
<i>Total Operating Expenses</i>	<u>3,350,233</u>	<u>1,546,249</u>	<u>569,318</u>	<u>1,726,415</u>	<u>2,064,097</u>	<u>498,443</u>	<u>49,139</u>	<u>9,803,894</u>	<u>2,446,068</u>
<i>Operating Income (Loss)</i>	<u>(197,959)</u>	<u>536,888</u>	<u>(381,892)</u>	<u>433,937</u>	<u>(1,074,516)</u>	<u>(113,456)</u>	<u>2,978</u>	<u>(794,020)</u>	<u>401,706</u>
NONOPERATING REVENUE (EXPENSE):									
Operating grants	--	--	126,337	--	--	--	--	126,337	--
Interest earned	15,436	15,072	--	43,666	--	--	--	74,174	--
Interest expense	(93,389)	(41,950)	--	(36,488)	--	--	--	(171,827)	--
Gain on disposition of assets	--	110	--	--	183	--	--	293	--
<i>Total Nonoperating Revenue (Expense)</i>	<u>(77,953)</u>	<u>(26,768)</u>	<u>126,337</u>	<u>7,178</u>	<u>183</u>	<u>--</u>	<u>--</u>	<u>28,977</u>	<u>--</u>
<i>Net Income (Loss) before Capital Contributions and Transfers</i>	<u>(275,912)</u>	<u>510,120</u>	<u>(255,555)</u>	<u>441,115</u>	<u>(1,074,333)</u>	<u>(113,456)</u>	<u>2,978</u>	<u>(765,043)</u>	<u>401,706</u>
Transfers in	--	--	--	--	920,584	35,000	--	955,584	--
Transfers (out)	--	(35,500)	--	--	--	--	--	(35,500)	--
<i>Change in Net Position</i>	<u>(275,912)</u>	<u>474,620</u>	<u>(255,555)</u>	<u>441,115</u>	<u>(153,749)</u>	<u>(78,456)</u>	<u>2,978</u>	<u>155,041</u>	<u>401,706</u>
<i>NET POSITION, Beginning of Year</i>	<u>25,993,545</u>	<u>12,206,183</u>	<u>7,085,207</u>	<u>6,674,929</u>	<u>7,846,191</u>	<u>787,818</u>	<u>--</u>	<u>60,593,873</u>	<u>244,127</u>
<i>NET POSITION, End of Year</i>	<u>\$ 25,717,633</u>	<u>\$ 12,680,803</u>	<u>\$ 6,829,652</u>	<u>\$ 7,116,044</u>	<u>\$ 7,692,442</u>	<u>\$ 709,362</u>	<u>\$ 2,978</u>	<u>\$ 60,748,914</u>	<u>\$ 645,833</u>

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

CITY OF MITCHELL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Airport Fund</i>	<i>Sanitation Fund</i>	<i>Corn Palace Fund</i>	<i>Golf Fund</i>	<i>Campground Fund</i>	<i>Total</i>	<i>Internal Service Fund</i>
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from customers	\$ 3,178,964	\$ 2,130,252	\$ 173,202	\$ 2,236,121	\$ 1,051,370	\$ 417,833	\$ 52,080	\$ 9,239,822	\$ 2,848,882
Cash receipts for interfund services	--	--	--	--	--	--	--	--	--
Payments to employees for services	(522,855)	(505,286)	(93,339)	(777,802)	(766,665)	(265,663)	(20,596)	(2,952,206)	--
Payments to suppliers	(2,063,164)	(562,505)	(22,421)	(791,935)	(1,225,213)	(191,922)	(28,033)	(4,885,193)	(2,629,449)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	592,945	1,062,461	57,442	666,384	(940,508)	(39,752)	3,451	1,402,423	219,433
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Transfers in from other funds	--	--	--	--	920,584	35,000	--	955,584	--
Transfers (to) other funds	--	(35,500)	--	--	--	--	--	(35,500)	--
Operating grants received	--	--	28,401	--	--	--	--	28,401	--
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	--	(35,500)	28,401	--	920,584	35,000	--	948,485	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Proceeds of capital debt	--	--	--	--	--	--	--	--	--
Capital contributions	--	--	--	--	--	--	--	--	--
Proceeds from sale of capital assets	--	110	--	--	183	--	--	293	--
Purchase of capital assets	(84,646)	(443,938)	(154,894)	(69,785)	(68,048)	(2,785)	--	(824,096)	--
Accrued landfill closure and postclosure costs	--	--	--	54,054	--	--	--	54,054	--
Debt principal paid	(234,469)	(209,751)	--	(111,064)	--	--	--	(555,284)	--
Debt interest paid	(93,389)	(41,950)	--	(36,488)	--	--	--	(171,827)	--
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(412,504)	(695,529)	(154,894)	(163,283)	(67,865)	(2,785)	--	(1,496,860)	--
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	--	--	--	(55,667)	--	--	--	(55,667)	--
Transfer (to) restricted cash	--	--	--	--	(8,245)	--	--	(8,245)	--
Cash received for interest	15,436	15,072	--	43,666	--	--	--	74,174	--
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	15,436	15,072	--	(12,001)	(8,245)	--	--	10,262	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,877	346,504	(69,051)	491,100	(96,034)	(7,537)	3,451	864,310	219,433
CASH AND CASH EQUIVALENTS, Beginning of Year	1,256,197	888,350	166,423	2,674,350	128,174	23,370	--	5,136,864	733,580
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,452,074	\$ 1,234,854	\$ 97,372	\$ 3,165,450	\$ 32,140	\$ 15,833	\$ 3,451	\$ 6,001,174	\$ 953,013
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS (USED) BY OPERATING ACTIVITIES:									
Operating (Loss)	\$ (197,959)	\$ 536,888	\$ (381,892)	\$ 433,937	\$ (1,074,516)	\$ (113,456)	\$ 2,978	\$ (794,020)	\$ 401,706
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:									
Depreciation	723,590	394,811	468,194	296,929	202,805	74,530	--	2,160,859	--
Changes in Assets and Liabilities:									
Receivables	10,565	(3,451)	(6,427)	15,683	(2,897)	(57)	(37)	13,379	1,108
Due from other governments	--	--	--	--	--	--	--	--	--
Inventories	33,063	(4,801)	(853)	(1,571)	(1,310)	6,800	--	31,328	--
Pension related deferred outflow	17,921	51,913	(7,348)	62,332	66,033	33,352	--	224,203	--
Net pension asset/liability	(58,998)	(55,225)	(11,375)	(85,141)	(59,254)	(22,987)	--	(292,980)	--
Accounts and other payables	99,281	181,414	1,723	838	(27,543)	750	510	256,973	(183,381)
Pension related deferred inflow	(35,951)	(40,521)	(4,819)	(59,011)	(45,497)	(19,162)	--	(204,961)	--
Accrued leave, Accrued landfill closure and postclosure costs, and OPEB payable	1,433	1,433	239	2,388	1,671	478	--	7,642	--
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 592,945	\$ 1,062,461	\$ 57,442	\$ 666,384	\$ (940,508)	\$ (39,752)	\$ 3,451	\$ 1,402,423	\$ 219,433

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

CITY OF MITCHELL
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2017

	<i>Agency Funds</i>
ASSETS:	
Cash and Cash Equivalents	\$ 919,569
Other Assets	145,664
TOTAL ASSETS	1,065,233
 LIABILITIES:	
Accounts Payable	214
Amounts held for others	1,065,019
Total Liabilities	1,065,233
 NET POSITION	 \$ --

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

The reporting entity of the City of Mitchell (City) 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Mitchell, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor with the approval of the Governing Board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Mitchell, Tammy Frost, Executive Director, 200 East 15th Mitchell, SD 57301. The June 30, 2017 year-end statements are presented in these financial statements. Included in the reported totals are the commissions component unit (Meadowlawn Plaza, LLC).

b. *Basis of Presentation:*

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

b. *Basis of Presentation: (continued)*

Government-Wide Statements: (continued)

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises funds as major for consistency in reporting from year to year, or because of public interest in the funds' operations.

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

Governmental Funds:

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Governmental Funds: (continued)

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.

Park Fund – To account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the city and the related costs of these facilities. This is a major fund.

The remaining Special Revenue funds are not considered major funds: **Liquor, Lodging and Dining Gross Receipts Tax Fund, Special Assessment Revolving Fund, 911 Emergency Fund, RSVP Fund, Nutrition Fund, and Library Fines Fund.** These funds are reported on the fund financial statements as “Other Governmental Funds”.

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.

Tax Increment Financing (TIF) Funds – to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has thirteen (13) of these debt service funds. None of the TIF funds are major funds.

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

Tax Increment Financing (TIF) District Capital Project Funds (TIF # 17 and TIF #19) – to account for financial resources to be used for construction of the TIF #17 and #19 projects. These are not major funds.

Indoor Swimming Pool Fund – To account for financial resources to be used for construction of an indoor swimming pool. This is a major fund.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 payable “solely” from the revenues of the activity.)
- b. Laws or regulation 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.

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.

Sanitation Fund – Financed primarily by user charges, this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund – Financed by user charges and transfers in from the General and Liquor, Lodging and Dining Gross Receipts Tax Funds, this fund accounts for the operation of the Corn Palace. This is a major fund.

Golf Fund – Financed by user charges, this fund accounts for operation of the City golf course. This is a major fund.

Airport Fund – Financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. This is a major fund.

Campground Fund – Financed by charges for services this fund accounts for operation of the campground. This is a major fund.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Internal Services Funds – Internal services funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal Service Funds are never considered to be major funds.

Fiduciary Funds – Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds consist of special assessment projects and payroll-related withholdings.

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 types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

Basis of Accounting:

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

Fund Financial Statements – All governmental 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 for the City of Mitchell, is 30 days. The revenues which are accrued at December 31, 2017 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

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 a term to maturity at 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

f. *Capital Assets: (continued)*

Government-Wide 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 the useful life of a capital asset are also capitalized.

The total December 31, 2017 balance of governmental activities capital assets includes approximately 50% for which the costs were determined by estimates of the original costs. The total December 31, 2017 balance of business-type capital assets includes approximately 60% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

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

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, 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 the 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 financial statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land	All	-- *	--
Buildings	\$50,000	straight-line	20-100 years
Improvements	\$25,000	straight-line	15-50 years
Machinery and equipment	\$5,000	straight-line	4-20 years

*Land is an inexhaustible capital asset and is not depreciated.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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 used in proprietary fund operations are accounted for on the accrual basis, the same 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 financial statements. The long-term liabilities primarily consist of compensated absences, other post-employment benefits, revenue bonds and capital leases.

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

h. *Program Revenues:*

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

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

i. *Proprietary Funds Revenue and Expense Classifications:*

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

j. *Deferred Inflows of Resources:*

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

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

k. *Cash and Cash Equivalents:*

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

l. *Equity Classifications:*

Government-Wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, 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 positions 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 “Nonspendable,” “Restricted,” “Committed,” “Assigned,” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

1. **Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.**
2. **Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.**
3. **Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are not considered restricted. Fund Balance may be assigned by the Finance Officer.**
4. **Unassigned – Includes positive fund balances 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 form 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 City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Park Fund – Charges for goods and services.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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>Park Fund</u>	<u>Indoor Swimming Pool</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Non-spendable:</i>					
Inventory	\$ 348,682	\$ 39,283	\$ --	\$ 11,019	\$ 398,984
Deposits	226,377	--	--	--	226,377
	<u>575,059</u>	<u>39,283</u>	<u>--</u>	<u>11,019</u>	<u>625,361</u>
<i>Restricted for:</i>					
Debt service	2,389,031	--	--	478,461	2,867,492
Parks and recreation	--	33,287	--	61,044	94,331
Economic development	--	--	--	161,211	161,211
Public safety	--	--	--	309,712	309,712
Library	--	--	--	77,573	77,573
	<u>2,389,031</u>	<u>33,287</u>	<u>--</u>	<u>1,088,001</u>	<u>3,510,319</u>
<i>Assigned to:</i>					
Applied to Next Year's Budget	2,000,000	--	--	450,621	2,450,621
Fire and EMS equipment	161,635	--	--	175,000	336,635
Cash flow reserves	180,000	--	--	--	180,000
Community projects	570,465	299,950	3,660,806	707,159	5,238,380
	<u>2,912,100</u>	<u>299,950</u>	<u>3,660,806</u>	<u>1,332,780</u>	<u>8,205,636</u>
<i>Unassigned:</i>	<u>4,636,480</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,636,480</u>
<i>Total Fund Balance</i>	<u>\$ 10,512,670</u>	<u>\$ 372,520</u>	<u>\$ 3,660,806</u>	<u>\$ 2,431,800</u>	<u>\$ 16,977,796</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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

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

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

Deposits:

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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, SDLC 4-5-6 permits City funds to be invested only in:

- a. Securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or
- b. Repurchase agreements fully collateralized by securities described in a. above; or
- c. 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.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Credit Risk:

State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2017, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
<u>Mutual Funds:</u>			
US Government Money Market Fund	Not Rated	N/A	<u>\$ 1,047,613</u>
<i>Total Investments Primary Government</i>			<u><u>\$ 1,047,613</u></u>

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

Other items classified as investments are certificates of deposit having a maturity of over 90 days from the date of acquisition.

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2017, the City’s deposits in financial institutions were not exposed to custodial credit risk.

Interest-rate Risk:

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

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income:

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

3. RESTRICTED CASH AND INVESTMENTS:

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

<i>Amount</i>	<i>Purpose</i>
\$ 1,397,595	For debt service, by debt covenants
\$ 1,348,235	For capital asset construction
\$ 1,047,613	For landfill closure and post-closure care costs
\$ 226,377	For risk pool capitalization contribution

4. RECEIVABLES AND PAYABLES:

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

5. INVENTORY:

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

Inventory acquired for 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 held for resale 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 are off-set by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

6. DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources represent unavailable revenue as follows:

	<i>General Fund</i>	<i>Other Governmental Funds</i>
Sales tax	\$ 1,064,253	\$ 59,689
Property tax	56,895	--
Special assessments	40,256	12,591
	\$ 1,161,404	\$ 72,280

7. PROPERTY TAXES:

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

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

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

Depreciation expense was charged to functions as follows:

	<u>Balance</u> <u>1/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/17</u>
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,502,052	\$ 300,508	\$ —	\$ 4,802,560
Construction in progress	<u>1,158,721</u>	<u>5,961,448</u>	<u>(1,150,979)</u>	<u>5,969,190</u>
<i>Total, not being depreciated</i>	<u>5,660,773</u>	<u>6,261,956</u>	<u>(1,150,979)</u>	<u>10,771,750</u>
<i>Capital assets, being depreciated:</i>				
Buildings	19,975,317	1,003,862	(355,364)	20,623,815
Improvements	31,069,254	1,922,203	(1,492,805)	31,498,652
Machinery and equipment	<u>14,350,743</u>	<u>1,381,746</u>	<u>(350,857)</u>	<u>15,381,632</u>
<i>Total, being depreciated</i>	<u>65,395,314</u>	<u>4,307,811</u>	<u>(2,199,026)</u>	<u>67,504,099</u>
<i>Less accumulated depreciation for:</i>				
Buildings	4,751,960	397,565	—	5,149,525
Improvements	6,445,434	550,832	(730)	6,995,536
Machinery and equipment	<u>9,764,410</u>	<u>825,810</u>	<u>(177,065)</u>	<u>10,413,155</u>
<i>Total accumulated depreciation</i>	<u>20,961,804</u>	<u>1,774,207</u>	<u>(177,795)</u>	<u>22,558,216</u>
<i>Governmental Activity</i>				
<i>Capital Assets, Net</i>	<u>\$ 50,094,283</u>	<u>\$ 8,795,560</u>	<u>\$ (3,172,210)</u>	<u>\$ 55,717,633</u>

Depreciation expense was charged to functions as follows:

General government	\$ 408,068
Public safety	230,647
Public works	425,810
Health and welfare	106,452
Culture and recreation	<u>603,230</u>
<i>Total Depreciation Expense</i>	
<i>Governmental Activities</i>	<u>\$ 1,774,207</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. CHANGES IN CAPITAL ASSETS: (continued)

	<u>Balance</u> <u>1/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2017</u>
<i>Business-Type Activities:</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,112,728	\$ --	\$ --	\$ 1,112,728
Construction in progress	82,000	458,634	(82,000)	458,634
<i>Total, not being depreciated</i>	<u>1,194,728</u>	<u>458,634</u>	<u>(82,000)</u>	<u>1,571,362</u>
<i>Capital assets, being depreciated:</i>				
Buildings	24,710,623	76,503	--	24,787,126
Improvements	59,180,081	114,852	--	59,294,933
Intangible assets	2,500	--	--	2,500
Machinery and equipment	14,189,272	562,277	(306,170)	14,445,379
<i>Total, being depreciated</i>	<u>98,082,476</u>	<u>753,632</u>	<u>(306,170)</u>	<u>98,529,938</u>
<i>Less accumulated depreciation for:</i>				
Buildings	7,381,732	610,434	--	7,992,166
Improvements	23,100,451	1,035,517	--	24,135,968
Machinery and equipment	9,103,719	514,908	--	9,618,627
<i>Total accumulated depreciation</i>	<u>39,585,902</u>	<u>2,160,859</u>	<u>--</u>	<u>41,746,761</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$ 59,691,302</u>	<u>\$ (948,593)</u>	<u>\$ (388,170)</u>	<u>\$ 58,354,539</u>

Depreciation expense was charged to functions as follows:

Water	\$ 853,135
Sewer	321,711
Airport	551,210
Sanitation	227,686
Corn Palace	117,876
Golf	89,241
<i>Total Depreciation Expense</i>	<u>2,160,859</u>
<i>Business-Type Activities</i>	<u>\$ 2,160,859</u>

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. CHANGES IN CAPITAL ASSETS: (continued)

Construction work in progress at December 31, 2017 is composed of the following:

<u>Project Name</u>	<u>Expended thru 12/31/2017</u>
Mitchell Aquatics indoor swimming pool	\$ 4,235,701
Veteran Park	194,331
Williams Ave Street Project	7,742
Phase II Forcemain	306,295
6th Street Plaza	762,254
Pheasant street Storm Sewer	152,339
Burr Street	641,027
Sanborn Design Contract	128,135
	<u>\$ 6,427,824</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS:

A summary of changes in component unit capital assets for the year ended June 30, 2017 is as follows:

	<i>Balance 7/1/2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/17</i>
Capital assets, not being depreciated:				
Land	\$ 20,239	\$ --	\$ (20,239)	\$ --
Capital assets, being depreciated:				
Buildings	5,589,536	29,288	(5,618,824)	--
Machinery and equipment	330,319	24,261	(317,542)	37,038
Total, being depreciated	<u>5,919,855</u>	<u>53,549</u>	<u>(5,936,366)</u>	<u>37,038</u>
Less accumulated depreciation for:				
Buildings	4,528,167	--	(4,528,167)	--
Machinery and equipment	289,217	4,412	(265,052)	28,577
Total accumulated depreciation	<u>4,817,384</u>	<u>4,412</u>	<u>(4,793,219)</u>	<u>28,577</u>
 <i>Component Unit Capital Assets</i>				
<i>Net</i>	<u>\$ 1,122,710</u>	<u>\$ 49,137</u>	<u>\$ (1,163,386)</u>	<u>\$ 8,461</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. 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>					
<i>Governmental Activities:</i>					
Bonds Payable:					
Revenue	\$ 21,600,877	\$ 3,772,000	\$ (3,687,518)	\$ 21,685,359	\$ 1,976,202
Leases	949,788	—	(301,712)	648,076	316,359
<i>Total Debt</i>	<u>22,550,665</u>	<u>3,772,000</u>	<u>(3,989,230)</u>	<u>22,333,435</u>	<u>2,292,561</u>
Accrued Compensated Absences	750,814	—	(223,065)	527,749	120,000
<i>Total Governmental Activities</i>	<u>\$ 23,301,479</u>	<u>\$ 3,772,000</u>	<u>\$ (4,212,295)</u>	<u>\$ 22,861,184</u>	<u>\$ 2,412,561</u>
<i>Business-type Activities:</i>					
Bonds Payable:					
Revenue	\$ 5,620,838	\$ —	\$ (437,803)	\$ 5,183,035	\$ 452,244
Leases	183,109	—	(59,489)	123,620	61,023
<i>Total Debt</i>	<u>5,803,947</u>	<u>—</u>	<u>(497,292)</u>	<u>5,306,655</u>	<u>513,267</u>
Accrued Compensated Absences	88,407	41,047	—	129,454	32,364
<i>Total Business Type Activities</i>	<u>\$ 5,892,354</u>	<u>\$ 41,047</u>	<u>\$ (497,292)</u>	<u>\$ 5,436,109</u>	<u>\$ 545,631</u>
<i>Component Unit (as of June 30):</i>					
Accrued Compensated Absences	<u>\$ 9,744</u>	<u>\$ 8,466</u>	<u>\$ (15,676)</u>	<u>\$ 2,534</u>	<u>\$ 594</u>

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. LONG-TERM DEBT: (continued)

Debt payable at December 31, 2017 is comprised of the following:

Revenue Bonds:

Series 2012 Sales Tax Revenue Bonds	1.5% - 3.9% depending on length to maturity of individual bonds; bond matures and final principal payment due December 1, 2032. This debt is serviced by the General Fund.	\$ 10,000,000
Series 2013 Sales Tax Revenue Bonds	.7% - 1.5% depending on length to maturity; bond matures and final payment due December 1, 2019. This debt is serviced by the General Fund.	890,000
Series 2017 Sales Tax Revenue Bonds	1.75%, debt payable annually, interest payments biannually, final payment due December 1, 2020. This debt is serviced by General Fund.	1,545,000
Indoor swimming pool	"COP" 2.95% debt payable biannually with payments of \$130,973; bond matures and final payment due December 2028. This debt is serviced by the General Fund.	2,250,000
Series 2010 TIF No. 13 Bonds	5.0%; bond matures and final principal payment due December 1, 2029. This debt is serviced by the applicable TIF debt service fund.	167,682
Series 2016 TIF No. 8 Bonds	7.25%; bond matures and final principal payment due June 1, 2026. This debt is serviced by the applicable TIF debt service fund.	1,370,695
Series 2008 TIF No. 10 Bonds	5.49%; bond matures and final principal payment due November 1, 2028. This debt is serviced by the applicable TIF debt service fund.	393,381
Note Payable TIF No. 8; Subordinated to Series 2007 TIF No. 8 Bonds above	7.25%; due in 2014, but no later than December 31, 2027. This debt is serviced by the applicable TIF debt service fund.	100,000

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. LONG-TERM DEBT: (continued)

Revenue Bonds: (continued)

Series 2010 TIF No. 14	5.5%; Terms are for semi-annual payments of \$23,572, matures December 1, 2029. This debt is serviced by the applicable TIF debt service fund.	\$ 407,433
Series 2006 TIF No. 7 Bonds	6.75%; Terms are for semi-annual payments of \$94,716, matures December 1, 2031. This debt is serviced by the applicable TIF debt service fund.	1,531,737
Series 2011 TIF No. 15 Bonds	5.5%; Terms are for semi-annual payments of \$15,237, matures December 1, 2030. This debt is serviced by the applicable TIF debt service fund.	316,247
Series 2017 TIF No. 9 Bonds	3.5%; Terms are for annual payments of \$57,266, matures December 1, 2027. This debt is serviced by the applicable TIF debt service fund.	448,646
TIF No.'s 17, 18, 19, 20, 21, & 22	The exact terms of repayment have not been determined yet, but the estimate maturity will be 2033. The loan will be repaid by the applicable TIF debt service funds.	2,287,537
2009 State Revolving Fund Loan	2%; Payable in quarterly installments of \$23,316; matures July 15, 2029. This debt is being repaid by the Sewer Fund.	1,083,186
2002 State Revolving Fund Loan	4.0%; payable in quarterly installments of \$50,909; matures April 1, 2024. This debt is being repaid by the Water Fund.	1,183,861
2005 Regional Landfill Fund Loan	3.0%; payable in semi-annual installment of \$14,317; matures December 1, 2026. This debt is being repaid by the Sanitation Fund.	224,391
2004 Regional Landfill Fund Loan	3.0%; payable in semi-annual payments of \$13,622; matures June 1, 2025. This debt is being repaid by the Sanitation Fund.	181,760
2010 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$27,734; matures January 1, 2032. this debt is being repaid by the Water Fund.	1,282,479
2010 "Borrower Bond"	2.0%; payable in quarterly installments of \$2,296; matures July 15, 2031. This debt is being repaid by the Water Fund.	110,176
2004 State Revolving Fund Loan	3.50%; payable in quarterly installments of \$23,071; matures	641,504
2013 State Revolving Fund Loan	3.0%; payable in quarterly installments of \$9,058; matures August 15, 2034. This debt is being repaid by the Sewer Fund.	475,679
<i>Total Revenue Bonds</i>		26,891,394

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. LONG-TERM DEBT: (continued)

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the estimated useful-life of the asset.

Financing (Capital Acquisition) Leases:

2005 Hitchcock Park Swim Pool Annual Appropriations Capital Lease	4.797%; due in semi-annual installments of \$171,849; matures December 31, 2019. This debt is being repaid by the General Fund.	\$ 648,076
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The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 3,650,000
Interest	<u>1,505,475</u>
	<u>\$ 5,155,475</u>

Sewer Vacuum	2.55%; payable in annual installments of \$64,213; matures March 27, 2019. this debt is being repaid by the Sewer Fund.	<u>123,620</u>
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The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 297,635
Interest	<u>23,428</u>
	<u>\$ 321,063</u>

<i>Total Financing (Capital Acquisition) Leases</i>	<u>771,696</u>
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Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2017. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund.

\$ 657,203

Component Unit Compensated Absences	<u>2,534</u>
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<i>Grand Total</i>	<u>\$ 28,322,827</u>
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CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. LONG-TERM DEBT: (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2017 except for compensated absences are as follows:

<i>Year Ending December 31,</i>	<i>Revenue</i>		<i>Capital Lease</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2018	2,428,446	783,746	377,382	30,528	\$ 2,805,828	\$ 814,274
2019	2,504,307	711,000	394,314	13,596	2,898,621	724,596
2020	1,915,915	524,176	--	--	1,915,915	524,176
2021	1,874,332	592,507	--	--	1,874,332	592,507
2022	3,811,157	957,374	--	--	3,811,157	957,374
2023-2027	8,079,519	1,393,871	--	--	8,079,519	1,393,871
2028-2032	6,277,719	418,300	--	--	6,277,719	418,300
TOTALS	\$ 26,891,395	\$ 5,380,975	\$ 771,696	\$ 44,124	\$ 27,663,091	\$ 5,425,099

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances at December 31, 2017 were:

	<i>Interfund Receivables</i>	<i>Interfund Payables</i>
Governmental Funds:		
General Fund	\$ 248,557	\$ --
Highland Fund	--	25,000
Kustom Cycles	--	73,557
Enterprise Funds:		
Sewer Fund	--	75,000
Golf Fund	--	75,000
	\$ 248,557	\$ 248,557

The purpose of the interfund receivable and payable balances is loans made to temporarily fund operations of the funds receiving the loans.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

12. *INTERFUND TRANSFERS:*

Interfund transfers for the year ended December 31, 2017 were as follows:

	<i>In</i>	<i>Out</i>
General Fund	\$ --	\$ 2,975,368
Special Revenue Funds:		
Park	1,969,596	--
Entertainment tax	--	340,000
E-911	390,188	--
Capital Projects Funds:		
Indoor pool	35,500	--
Enterprise Funds:		
Golf	35,000	--
Sewer	--	35,500
Corn Palace	920,584	--
<i>Total</i>	\$ 3,350,868	\$ 3,350,868

The City typically budgets transfers to the General Fund, Park Fund, E-911 Fund, RSVP Fund and Corn Palace Fund to conduct the indispensable functions of the City.

13. *PENSION PLAN:*

Plan Information:

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

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

13. *PENSION PLAN: (continued)*

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 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 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

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

13. PENSION PLAN: (continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$627,894, \$572,793, and \$561,032 respectively, equal to the required contributions each year.

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

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension liability of South Dakota Retirement System, for the City as of this measurement period and reported by the City as of December 31, 2017 are as follows:

Proportionate share of pension liability	\$ 57,578,864
Less proportionate share of net pension restricted for pension benefits	<u>57,623,773</u>
Proportionate share of net pension asset	<u><u>\$ (44,909)</u></u>

At December 31, 2017, the City reported an asset of 44,909 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City's proportion was .49487790%, which is an increase of 0.00145% from its proportion measured as of June 30, 2016.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

13. **PENSION PLAN:** (continued)

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

For the year ended December 31, 2017, the City recognized reduction of pension expense of \$997,465. At December 31, 2017, the City 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	\$ 719,593	\$ --
Changes in assumption	3,487,035	--
Net Difference between projected and actual earnings on pension plan investments	--	863,452
Changes in proportion and difference between City contributions and proportionate share of contributions	40,057	4,026
City contributions subsequent to the measurement date	317,540	--
	\$ 4,564,225	\$ 867,478

\$317,541 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will recognized in pension expense (revenue) as follows:

<i>Year Ended December 31,</i>	
2018	\$ 923,321
2019	1,537,543
2020	1,123,944
2021	(205,601)
	\$ 3,379,207

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

13. *PENSION PLAN: (continued)*

Actuarial Assumptions:

The total pension asset in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Morality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

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, 2017 (see the 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>Long-Term Expected Real Rate of Return</i>
Global equity	58.0%	4.8%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
<i>Total</i>	<u>100%</u>	

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

13. PENSION PLAN: (continued)

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability asset.

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

The following presents the City’s proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than 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)	\$ 8,225,383	\$ (44,909)	\$ (6,779,619)

Pension Plan Fiduciary Net Position:

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

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

14. OTHER POSTEMPLOYMENT BENEFITS – HEALTHCARE PLAN:

Plan Description:

The City of Mitchell’s Postemployment Health Care Plan is a single-employer defined benefit healthcare plan administered by the City. The City of Mitchell’s Postemployment Health Care Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the governing board. An employee who retires from the City’s fire or police department on or after the age of 45 years old and with at least 3 years of service with the City, may be eligible for retiree health insurance coverage. All other City retirees must be at least 55 years of old and have at least 3 years of service with the City. Coverage ceases when the retiree attains the age of 65 or becomes eligible for Medicare except for COBRA continuation if elected. The retiree is responsible for 100% of the retired employee premium rates for either single or spousal/dependent coverage (pay-as-you-go basis).

Annual OPEB Cost and Net OPEB Obligation:

The City’s annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the financial components of the plan:

Funded Status:

The Plan is on a “pay-as-you-go” basis, therefore it is not funded as of December 31, 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 42,261	\$ 43,232	\$ 43,232
Interest on net OPEB obligation	15,093	10,966	10,966
Adjustment to ARC	<u>(20,590)</u>	<u>(18,043)</u>	<u>(14,961)</u>
Annual OPEB Cost	36,764	36,155	39,237
Contribution made	<u>(59,322)</u>	<u>(5,588)</u>	<u>(8,670)</u>
Increase in net OPEB obligation	(22,558)	30,567	30,567
Net OPEB Obligation, Beginning of Year	<u>335,396</u>	<u>304,829</u>	<u>274,262</u>
Net OPEB Obligation, End of Year	<u>\$ 312,838</u>	<u>\$ 335,396</u>	<u>\$ 304,829</u>

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

14. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (continued)

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.50% rate of return and an annual healthcare cost trend rate of five percent. Both rates include a three percent inflation adjustment. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was thirty years.

15. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017 the City managed its risks as follows:

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the Plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2017 were as follows:

Benefit claims payable, at the beginning of year	\$ 490,261
Employees' health and related benefits incurred attributable to insured events of the current year	2,343,115
Employee health and related benefits paid	<u>(2,526,136)</u>
Benefit claims payable, at the end of year	<u>\$ 307,240</u>

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

15. *RISK MANAGEMENT: (continued)*

Workers' Compensation:

The City joined the South Dakota Municipal League Workers' 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The City pays an annual premium to provide workers' 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 City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Liability Insurance:

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

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

15. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

The agreement with the SDPAA provides that the above coverages will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's first full year	50%
End of City's second full year	60%
End of City's third full year	70%
End of City's fourth full year	80%
End of City's fifth full year	90%
End of City's sixth full year	100%

As of December 31, 2017, the City has a vested balance in the cumulative reserve fund of \$226,377.

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

Unemployment Benefits:

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

16. LANDFILL CLOSURE AND POST – CLOSURE CARE COST:

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$932,877 reported as landfill closure and post-closure care liability at December 31, 2017 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2005 and 21% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,845,413 as the remaining estimated capacity is filled. This landfill has an estimated remaining live of 41 years as of December 31, 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$1,047,613 to this trust as of December 31, 2017.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017*

17. CONDUIT DEBT:

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017, there was one series of conduit bonds outstanding with an aggregate unpaid principal amount was \$1,140,000.

18. TAX ABATEMENT:

The City of Mitchell has created tax increment districts under the authority granted by South Dakota Codified Laws Section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advance of industrial, commercial, manufacturing, and agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years. The project sponsor bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall.

The City of Mitchell has 14 active tax increment districts in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the districts, these taxes are not available to the City during the life of the tax increment district. The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2017, that was not available to the City of Mitchell was \$1,524,038.

19. SIGNIFICANT CONTINGENCIES – LITIGATION:

At December 31, 2017, the City was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property taxes	\$ 4,936,465	\$ 4,936,465	\$ 4,872,984	\$ (63,481)
General sales taxes	11,360,000	11,360,000	11,072,076	(287,924)
Gross receipts taxes	188,000	188,000	203,764	15,764
Amusement taxes	1,500	1,500	1,608	108
Penalties and interest on taxes	8,000	8,000	8,583	583
Licenses and permits	203,560	203,560	211,863	8,303
Intergovernmental Revenue:				
Federal grants	30,467	30,467	12,891	(17,576)
State grants	--	--	679,678	679,678
State shared revenues	696,500	696,500	700,322	3,822
County shared revenues	--	--	1	1
Other	7,800	7,800	9,966	2,166
Charges for Goods or Services:				
General government	2,700	2,700	3,101	401
Public safety	117,015	117,015	90,737	(26,278)
Highways and streets	8,000	8,000	8,579	579
Ambulance	672,100	672,100	442,734	(229,366)
Cemetery	114,000	114,000	93,723	(20,277)
Fines and Forfeits:				
Court fines	4,500	4,500	2,259	(2,241)
Other fines	18,000	18,000	14,918	(3,082)
Miscellaneous Revenue:				
Interest earned	10,000	10,000	130,706	120,706
Rentals	--	--	2,300	2,300
Special assessments	7,000	7,000	14,246	7,246
Contributions from private sources	12,000	12,000	205,642	193,642
Other	111,180	111,180	46,606	(64,574)
TOTAL REVENUES	18,508,787	18,508,787	18,829,287	320,500

*The accompanying Notes to Required Supplementary Information are
an integral part of this statement.*

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
General Government:				
Legislative	\$ 145,846	\$ 151,846	\$ 142,751	\$ 9,095
Contingency	713,674	207,174	–	207,174
Executive	228,102	263,102	478,505	(215,403)
Elections	7,000	7,600	7,523	77
Financial administration	1,156,831	1,161,487	1,096,510	64,977
Other	386,190	454,190	398,475	55,715
Public Safety:				
Police	3,133,815	3,165,170	3,100,290	64,880
Fire	1,731,546	1,731,546	1,292,427	439,119
Other protection	–	–	–	–
Public Works:				
Highways and streets	3,040,126	3,040,126	1,857,553	1,182,573
Cemeteries	212,122	212,122	204,518	7,604
Health and Welfare:				
Health	66,500	66,500	66,500	–
Humane society	84,464	84,464	74,290	10,174
Ambulance	600,612	1,015,562	985,739	29,823
Culture and Recreation:				
Recreation	157,950	142,950	134,634	8,316
Parks	–	–	–	–
Liabraries	594,472	594,472	555,214	39,258
Conservation and Development:				
Economic opportunity	107,500	142,500	142,500	–
Debt Service	2,011,404	2,011,404	4,210,429	(2,199,025)
Capital Outlay	1,535,265	2,894,935	2,986,558	(91,623)
TOTAL EXPENDITURES	15,913,419	17,347,150	17,734,416	(387,266)
Excess of Revenues Over (Under)				
Expenditures	2,595,368	1,161,637	1,094,871	(66,766)
OTHER FINANCING SOURCES (USES):				
Transfers-in	–	–	–	–
Transfers-out	(2,600,368)	(2,975,368)	(2,975,368)	–
Proceeds of long-term debt	–	–	1,545,000	1,545,000
Sale of City property	5,000	5,000	15,869	10,869
	<u>(2,595,368)</u>	<u>(2,970,368)</u>	<u>(1,414,499)</u>	<u>1,555,869</u>
Net Change in Fund Balances	–	(1,808,731)	(319,628)	1,489,103
FUND BALANCE, Beginning of Year	10,832,298	10,832,298	10,832,298	–
FUND BALANCE, End of Year	\$ 10,832,298	\$ 9,023,567	\$ 10,512,670	\$ 1,489,103

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

**CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARK FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
Intergovernmental Revenue:				
Federal grants	\$ –	\$ –	\$ 8,000	\$ 8,000
Other	10,000	10,000	–	(10,000)
Charges for Goods or Services:				
Culture and recreation	777,000	777,000	810,909	33,909
Miscellaneous Revenue:				
Rentals	6,000	6,000	4,500	(1,500)
Contributions from private sources	68,000	68,000	59,282	(8,718)
Other	2,100	2,100	–	(2,100)
TOTAL REVENUES	<u>863,100</u>	<u>863,100</u>	<u>882,691</u>	<u>19,591</u>
<u>EXPENDITURES</u>				
Culture and Recreation:				
Recreation	1,704,799	1,705,684	1,684,524	21,160
Parks	952,897	1,024,767	954,480	70,287
Capital Outlay	175,000	302,400	237,936	64,464
TOTAL EXPENDITURES	<u>2,832,696</u>	<u>3,032,851</u>	<u>2,876,940</u>	<u>155,911</u>
<i>Excess of Revenues Over (Under)</i>				
Expenditures	<u>(1,969,596)</u>	<u>(2,169,751)</u>	<u>(1,994,249)</u>	<u>175,502</u>
OTHER FINANCING SOURCES (USES):				
Transfers-in	1,969,596	1,969,596	1,969,596	–
Sale of City property	–	–	1,914	1,914
	<u>1,969,596</u>	<u>1,969,596</u>	<u>1,971,510</u>	<u>1,914</u>
Net Change in Fund Balances	–	(200,155)	(22,739)	177,416
FUND BALANCE, Beginning of Year	<u>395,259</u>	<u>395,259</u>	<u>395,259</u>	<u>–</u>
FUND BALANCE, End of Year	<u>\$ 395,259</u>	<u>\$ 195,104</u>	<u>\$ 372,520</u>	<u>\$ 177,416</u>

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

*CITY OF MITCHELL
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2017*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

1. At the first regular board meeting in September of each year, or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total city 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.

**CITY OF MITCHELL
 REQUIRED SUPPLEMENTAL INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS
 FUNDING PROGRESS
 DECEMBER 31, 2017**

Funded Status and Funding Progress

	<u>Valuation Date</u> <u>January 1, 2017</u>	<u>Valuation Date</u> <u>January 1, 2016</u>	<u>Valuation Date</u> <u>January 1, 2015</u>
Actuarial Accrued Liability (AAL)	\$ 507,947	\$ 335,396	\$ 304,829
Actuarial Value of Plan Assets	\$ —	\$ —	\$ —
Unfunded Actuarial Accrued Liability (UAAL)	\$ 507,947	\$ 335,396	\$ 304,829
Funded Ratio	0.00%	0.00%	0.00%
Covered Payroll (active plan members)	\$ 7,392,108	\$ 8,607,689	\$ 8,446,184
UAAL as a Percentage of Covered Payroll	6.87%	3.90%	3.61%

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) (SDRS)
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.49%	0.49%	0.51%
City's proportionate share of net pension liability (asset)	\$ (44,910)	\$ 1,666,751	\$ (2,152,535)
City's covered-employee payroll	\$ 9,074,462	\$ 8,432,118	\$ 8,349,579
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.49%	-19.77%	25.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104.10%

* 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.

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)
DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 627,894	\$ 572,793	\$ 561,032	\$ 555,952
Contributions in relation to the contractually required contribution	<u>627,894</u>	<u>572,793</u>	<u>561,032</u>	<u>555,952</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 9,444,255	\$ 8,607,689	\$ 8,446,184	\$ 8,349,579
Contributions as a percentage of covered-employee payroll	6.65%	6.65%	6.64%	6.66%

The accompanying Notes to Required Supplementary Information are an integral part of this statement.

CITY OF MITCHELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying	Passed Through to Subrecipients	Federal Expenditures
<i>Department of Health and Human Services</i>				
<i>Aging Cluster</i>				
<i>Pass-Through SD Department of Human Services</i>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	N/A		19,697
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	12054862-02		138,576
Nutrition Services Incentive Program	93.053	12054862-02		<u>43,232</u>
<i>Total Aging Cluster</i>				<u>201,505</u>
<i>Total Department of Health and Human Services</i>				<u>201,505</u>
<i>Department of Public Safety</i>				
<i>Highway Safety Cluster:</i>				
<i>US Department of Transportation - Pass-Through Programs:</i>				
<i>Pass-Through SD Department of Public Safety</i>				
State and Community Highway Safety	20.600	12054862-02		1,875
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12054862-02		8,186
National Priority Safety Programs	20.616	N/A		<u>2,830</u>
<i>Total Highway Safety Cluster</i>				<u>12,891</u>
<i>Total Department of Public Safety</i>				<u>12,891</u>
<i>Department of Transportation</i>				
<i>Other Programs:</i>				
Airport Improvement Program	20.106	N/A		119,910
Federal Transit Formula Grants	20.507	N/A		48,373
<i>Pass-Through SD Department of Transportation</i>				
Formula Grants for Rural Areas	20.509	12054862-03		365,615
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	12054862-03		<u>3,000</u>
<i>Total Department of Transportation</i>				<u>562,680</u>
<i>Other Programs</i>				
<i>Corporation for National and Community Service</i>				
<i>AmeriCorps</i>				
AmeriCorps	94.006	N/A		<u>71,579</u>
<i>Total Corporation for National and Community Service</i>				<u>71,579</u>
<i>Department of the Interior</i>				
<i>Historic Preservation Fund Grants-In-Aid</i>				
Historic Preservation Fund Grants-In-Aid	15.904	N/A		<u>1,500</u>
<i>Total Department of the Interior</i>				<u>1,500</u>
<i>Total Expenditures of Federal Awards</i>				<u>837,264</u>

CITY OF MITCHELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2017. 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 city, it is not intended to and does not present the financial position, changes in net position, or cash flows of the city.

Note 2: Summary of Significant Accounting Policies

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The city has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

Note 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.