

MUNICIPALITY OF FORT PIERRE
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements, and have issued our report thereon dated October 23, 2019.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

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

Chamberlain, South Dakota
October 23, 2019

***MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018***

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

There are no written current other audit findings to report.



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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Municipality of Fort Pierre, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Fort Pierre, South Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Municipality of Fort Pierre, South Dakota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles, generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipal Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Municipality's Contributions 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 23, 2019 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Chamberlain, South Dakota
October 23, 2019

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
Cash and cash equivalents	\$ 900,901	\$ 1,408,369	\$ 2,309,270
Accounts receivable, net	401,878	385,434	787,312
Inventories	21,102	535,737	556,839
Land held for resale	161,185	—	161,185
Other assets	93,370	447,737	541,107
Restricted assets:			
Cash and cash equivalents	543,951	260,378	804,329
Net pension asset	490	557	1,047
Capital assets:			
Land	1,107,511	163,577	1,271,088
Other capital assets, net of depreciation	13,842,110	12,024,054	25,866,164
<i>Total Assets</i>	<u>17,072,498</u>	<u>15,225,843</u>	<u>32,298,341</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>163,154</u>	<u>181,587</u>	<u>344,741</u>
LIABILITIES			
Accounts payable and other current liabilities	62,354	314,679	377,033
Noncurrent liabilities:			
Due within one year	276,270	510,482	786,752
Due in more than one year	3,971,109	594,095	4,565,204
<i>Total Liabilities</i>	<u>4,309,733</u>	<u>1,419,256</u>	<u>5,728,989</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>41,724</u>	<u>40,883</u>	<u>82,607</u>
NET POSITION			
Net investment in capital assets	10,728,209	11,306,208	22,034,417
Restricted for:			
Debt services	497,990	260,378	758,368
Cemetery	31,927	—	31,927
Expo building	15,021	—	15,021
SDRS pension purposes	121,920	141,261	263,181
Unrestricted	1,489,128	2,239,444	3,728,572
<i>Total Net Position</i>	<u>\$ 12,884,195</u>	<u>\$ 13,947,291</u>	<u>\$ 26,831,486</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 403,972	\$ 92,916	\$ 3,876	\$ --	\$ (307,180)	\$ --	\$ (307,180)
Public safety	421,066	1,105	--	--	(419,961)	--	(419,961)
Public works	1,228,921	149,619	7,241	134,312	(937,749)	--	(937,749)
Health and welfare	26,110	950	--	--	(25,160)	--	(25,160)
Culture and recreation	576,784	40,249	--	--	(536,535)	--	(536,535)
Conservation and development	215,288	--	--	--	(215,288)	--	(215,288)
Interest on long-term debt	150,349	--	--	--	(150,349)	--	(150,349)
Total Governmental Activities	3,022,490	284,839	11,117	134,312	(2,592,222)	--	(2,592,222)
<i>Business-type Activities:</i>							
Water	530,371	689,278	--	--	--	158,907	158,907
Electric	2,347,803	2,885,323	162,255	--	--	699,775	699,775
Sewer	524,816	489,035	--	--	--	(35,781)	(35,781)
Total Business-Type Activities	3,402,990	4,063,636	162,255	--	--	822,901	822,901
Total Primary Government	\$ 6,425,480	\$ 4,348,475	\$ 173,372	\$ 134,312	(2,592,222)	822,901	(1,769,321)
General Revenues:							
<i>Taxes:</i>							
Property tax					1,068,757	--	1,068,757
Sales tax					1,270,366	--	1,270,366
State shared revenues					26,676	--	26,676
Unrestricted investment earnings					6,305	4,805	11,110
Miscellaneous revenue					158,930	58,633	217,563
Extraordinary items - See note 11					63,980	--	63,980
Total General Revenues and Transfers					2,595,014	63,438	2,658,452
Change in Net position					2,792	886,339	889,131
Net Position-Beginning of Year					12,881,403	13,060,952	25,942,355
Net Position-End of Year					\$ 12,884,195	\$ 13,947,291	\$ 26,831,486

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

MUNICIPALITY OF FORT PIERRE, SD
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>ASSETS</i>			
Cash and cash equivalents	\$ 871,036	\$ 29,865	\$ 900,901
Taxes receivable:			
Delinquent	33,272	105	33,377
Accounts receivable	15,922	–	15,922
Special assessments receivable			
Delinquent	544	–	544
Deferred	199,237	–	199,237
Due from county governments	12,968	13,107	26,075
Due from state government	126,723	–	126,723
Supply inventory	21,102	–	21,102
Land held for resale	161,185	–	161,185
Restricted cash and cash equivalents	383,443	160,508	543,951
Deposits	93,370	–	93,370
<i>Total Assets</i>	1,918,802	203,585	2,122,387
<i>LIABILITIES AND FUND BALANCES</i>			
Accounts payable	41,448	4,646	46,094
Accrued wages payable	16,260	–	16,260
<i>Total Liabilities</i>	57,708	4,646	62,354
<i>DEFERRED INFLOWS OF RESOURCES</i>			
Property taxes	33,272	105	33,377
Special Assessments	199,781	–	199,781
<i>Total Deferred Inflows of Resources</i>	233,053	105	233,158
<i>FUND BALANCES</i>			
Nonspendable			
Inventory	182,287	–	182,287
SDPAA Deposit	93,370	–	93,370
Restricted			
Perpetual cemetery trust	–	31,927	31,927
Expo Building	15,021	–	15,021
Debt Service	368,422	129,568	497,990
Committed			
Second one percent sales tax	–	6,599	6,599
Assigned			
Firehall	40,000	–	40,000
Capital outlay accumulations	327,222	–	327,222
Park	27,746	–	27,746
Cemetery improvements	–	10,403	10,403
Promotion of the city	–	20,337	20,337
Unassigned	573,973	–	573,973
<i>Total Fund Balances</i>	1,628,041	198,834	1,826,875
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	\$ 1,918,802	\$ 203,585	\$ 2,122,387

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balances - Government Funds \$ 1,826,875

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

Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds. 490

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 14,949,621

Pension related deferred outflows are components of pension liability. (asset) and therefore are not reported in the funds 163,154

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. (4,247,379)

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. 233,158

Pension related deferred inflows are components of pension liability. (asset) and therefore are not reported in the funds (41,724)

Net Position - Governmental Funds \$ 12,884,195

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Revenues:</i>			
Taxes			
General property taxes	\$ 1,117,011	\$ 108,076	\$ 1,225,087
General sales taxes	1,149,383	120,599	1,269,982
Amusement taxes	384	–	384
Penalties and interest	2,751	–	2,751
Licenses and permits	47,113	–	47,113
Intergovernmental revenue			
Federal grants	2,781	–	2,781
State grants	7,241	–	7,241
State shared revenues			
Bank franchise tax	13,973	–	13,973
Motor vehicle commercial prorata	5,160	–	5,160
Liquor tax reversion	12,703	–	12,703
Motor vehicles licenses	36,043	–	36,043
Local government highway and bridge	32,199	–	32,199
County shared revenues	4,444	–	4,444
Charges for goods and services			
General government	45,803	–	45,803
Highways and streets	68,168	–	68,168
Sanitation	3,605	–	3,605
Health	950	–	950
Culture and recreation	40,249	–	40,249
Fines and forfeits			
Court fines and costs	205	–	205
Parking fines	900	–	900
Miscellaneous revenue			
Investment earnings	6,106	199	6,305
Rentals	1,250	–	1,250
Special maintenance fee	755	–	755
Special assessments	131,531	0	131,531
Contributions	3,876	–	3,876
Other	71,337	85,588	156,925
Total Revenue	2,805,921	314,462	3,120,383

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<i>Expenditures:</i>			
<i>Current:</i>			
<i>General government:</i>			
Executive	\$ 100,520	\$ --	\$ 100,520
Elections	12	--	12
Legal	49,507	--	49,507
Financial administration	142,059	--	142,059
Planning and zoning	46,363	--	46,363
<i>Public safety:</i>			
Police	295,439	--	295,439
Fire	90,736	--	90,736
Building inspection	20,583	--	20,583
Civil defense	41	--	41
<i>Public works:</i>			
Highways and streets	358,734	--	358,734
Sanitation	37,739	--	37,739
Transit	28,000	--	28,000
<i>Health and welfare:</i>			
Health	26,110	--	26,110
<i>Culture and recreation:</i>			
Recreation	112,778	--	112,778
Parks	256,424	--	256,424
Library	9,500	--	9,500
Expo building	4,253	--	4,253
Cultural arts	5,000	--	5,000
Museum	74,602	--	74,602
<i>Conservation and development:</i>			
Dues and fees	500	1,659	2,159
BID board economic development	--	--	--
Economic development and assistance (industrial development)		213,129	213,129
Debt service	565,934	--	565,934
Capital outlay	356,368	--	356,368
<i>Total Expenditures</i>	<u>2,581,202</u>	<u>214,788</u>	<u>2,795,990</u>
<i>Excess of Revenues Over (Under)</i>			
Expenditures	<u>224,719</u>	<u>99,674</u>	<u>324,393</u>
Extraordinary item- change in restricted deposit (See note 11)	63,980	--	63,980
<i>Net Change in Fund Balance</i>	288,699	99,674	388,373
<i>Changes in Nonspendable</i>	<u>(6,257)</u>	<u>--</u>	<u>(6,257)</u>
<i>FUND BALANCES - Beginning of Year</i>	<u>1,345,599</u>	<u>99,160</u>	<u>1,444,759</u>
<i>FUND BALANCES - End of Year</i>	<u><u>1,628,041</u></u>	<u><u>198,834</u></u>	<u><u>1,826,875</u></u>

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

**MUNICIPALITY OF FORT PIERRE, SD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

<i>Net Change in Fund Balances - Total Government Funds</i>	\$	382,116
 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.		356,368
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.		(932,472)
In the statement of activities, gains \$0 and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$0 from the disposal of capital assets are reflected, regardless of whether a gain or a loss is realized.		(19,629)
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.		415,585
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises.		(159,081)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(38,972)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.		(1,123)
<i>Change in Net Position of Governmental Activities</i>	\$	2,792

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
DECEMBER 31, 2018

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sanitary Sewer Fund</i>	<i>Totals</i>
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 217,020	\$ 995,707	\$ 195,642	\$ 1,408,369
Accounts receivable	55,887	254,577	48,664	359,128
Accounts receivable - Surcharge	–	23,363	1,206	24,569
NSF check receivables	–	542	–	542
Due from other government	1,195	–	–	1,195
Supply inventory	157,777	368,877	9,083	535,737
<i>Total Current Assets</i>	<u>431,879</u>	<u>1,643,066</u>	<u>254,595</u>	<u>2,329,540</u>
<i>Noncurrent Assets:</i>				
Restricted cash and cash equivalents	–	225,641	34,737	260,378
Deposit	5,000	442,737	–	447,737
<i>Capital assets:</i>				
Land	27,587	115,999	19,991	163,577
Buildings	751,806	3,885,262	–	4,637,068
Improvements other than buildings	3,010,425	4,903,634	8,241,232	16,155,291
Machinery and equipment	176,497	624,049	567,749	1,368,295
Accumulated depreciation	(2,349,222)	(3,748,066)	(4,039,312)	(10,136,600)
<i>Total Capital Assets:</i>	<u>1,617,093</u>	<u>5,780,878</u>	<u>4,789,660</u>	<u>12,187,631</u>
Net pension asset	106	353	98	557
<i>Total Noncurrent Assets</i>	<u>1,622,199</u>	<u>6,006,872</u>	<u>4,824,495</u>	<u>12,448,566</u>
<i>Total Assets</i>	<u>2,054,078</u>	<u>7,649,938</u>	<u>5,079,090</u>	<u>14,778,106</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	34,605	111,795	35,187	181,587
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	12,740	166,105	6,927	185,772
Accrued wages	4,695	12,137	3,593	20,425
Customer deposits	5,000	103,482	–	108,482
Current portion of long term debt	15,977	424,362	70,143	510,482
<i>Total Current Liabilities</i>	<u>38,412</u>	<u>706,086</u>	<u>80,663</u>	<u>825,161</u>
<i>Noncurrent Liabilities:</i>				
Bonds payable:				
Revenue	–	–	370,941	370,941
Accrued leave payable	10,464	29,492	10,464	50,420
Other long-term debt	21,592	21,592	129,550	172,734
<i>Total Noncurrent Liabilities</i>	<u>32,056</u>	<u>51,084</u>	<u>510,955</u>	<u>594,095</u>
<i>Total Liabilities</i>	<u>70,468</u>	<u>757,170</u>	<u>591,618</u>	<u>1,419,256</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	8,366	24,996	7,521	40,883
NET POSITION				
Net investment in capital assets	1,601,116	5,356,516	4,348,576	11,306,208
Restricted net position restricted for:				
Debt service	–	208,503	34,737	243,240
Revenue bond service	–	17,138	–	17,138
SDRS pension purposes	26,345	87,152	27,764	141,261
Unrestricted net position	382,388	1,752,995	104,061	2,239,444
<i>Total Net Position</i>	<u>\$ 2,009,849</u>	<u>\$ 7,422,304</u>	<u>\$ 4,515,138</u>	<u>\$ 13,947,291</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<i>Water Fund</i>	<i>Electric Fund</i>	<i>Sewer Fund</i>	<i>Totals</i>
<i>Operating Revenues:</i>				
Charges for goods and services	\$ 689,278	\$ 2,885,323	\$ 489,035	\$ 4,063,636
Total Operating Revenues	689,278	2,885,323	489,035	4,063,636
<i>Operating Expenses:</i>				
Personal services	171,540	370,683	134,660	676,883
Other current expense	29,055	121,469	100,245	250,769
Materials	220,060	1,627,513	–	1,847,573
Depreciation	109,716	228,138	289,911	627,765
Total Operating Expenses	530,371	2,347,803	524,816	3,402,990
Operating Income (Loss)	158,907	537,520	(35,781)	660,646
<i>Nonoperating Revenues:</i>				
Operating grants	–	162,255	–	162,255
Investment earnings	–	4,805	–	4,805
Miscellaneous non-operating revenue (expense)	1,202	(7,088)	457	(5,429)
Special Assessments	1,208	–	–	1,208
Rentals	–	95	–	95
Interest expense	(1,453)	(31,911)	(20,274)	(53,638)
Gain/Loss on sale of fixed assets	–	116,397	–	116,397
Total Nonoperating Revenue	957	244,553	(19,817)	225,693
Net Change in Net Position	159,864	782,073	(55,598)	886,339
Net Position - Beginning of Year	1,849,985	6,640,231	4,570,736	13,060,952
Net Position - End of Year	\$ 2,009,849	\$ 7,422,304	\$ 4,515,138	\$ 13,947,291

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipt from customers	\$ 685,361	\$ 3,015,940	\$ 483,805	\$ 4,185,106
Payments to suppliers	(274,129)	(1,567,954)	(94,238)	(1,936,321)
Payments to employees	(160,176)	(337,230)	(125,565)	(622,971)
NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>251,056</u>	<u>1,110,756</u>	<u>264,002</u>	<u>1,625,814</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(342,335)	(303,412)	(104,269)	(750,016)
Proceeds from sales of capital assets	--	129,285	--	129,285
Debt principal paid	(15,577)	(507,022)	(81,161)	(603,760)
Debt interest paid	(1,453)	(31,911)	(20,274)	(53,638)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(359,365)</u>	<u>(713,060)</u>	<u>(205,704)</u>	<u>(1,278,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	--	--	(1,031)	(1,031)
Interest earnings	--	4,805	--	4,805
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>--</u>	<u>4,805</u>	<u>(1,031)</u>	<u>3,774</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(108,309)</u>	<u>402,501</u>	<u>57,267</u>	<u>351,459</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>325,329</u>	<u>593,206</u>	<u>138,375</u>	<u>1,056,910</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 217,020</u>	<u>\$ 995,707</u>	<u>\$ 195,642</u>	<u>\$ 1,408,369</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 158,907	\$ 537,520	\$ (35,781)	\$ 660,646
Adjustments to reconcile operating income to net cash provided by operating activities:				
Provided by operating activities:				
Depreciation expense	109,716	228,138	289,911	627,765
Operating grants	--	162,255	--	162,255
Miscellaneous revenue (expense) and special assessments	2,410	(6,993)	457	(4,126)
(Increase) decrease in:				
Receivables	(5,577)	(31,392)	(5,687)	(42,656)
Inventories	(22,915)	48,410	3,560	29,055
Increase (decrease) in:				
Accounts and other payables	(2,099)	139,706	2,447	140,054
Pension related deferred inflows and inflows	7,990	26,128	7,362	41,480
Accrued wages and leave payable	2,624	7,325	1,733	11,682
Deposits	--	(341)	--	(341)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 251,056</u>	<u>\$ 1,110,756</u>	<u>\$ 264,002</u>	<u>\$ 1,625,814</u>

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

MUNICIPALITY OF FORT PIERRE, SD
STATEMENT OF NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 1,314
Other Assets	<u>114,608</u>
TOTAL ASSETS	<u>\$ 115,922</u>
LIABILITIES:	
Amounts held for others	<u>\$ 115,922</u>
Total Liabilities	<u>\$ 115,922</u>

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

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

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Fund Financial Statements: *(continued)*

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

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

Governmental Funds:

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

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

US COE Fund – The US COE Fund was established by the Municipality according to the Construction, Relocation, and Alteration of Facilities Agreement with the US COE to account for the receipt and expenditure of federal grant monies obtained from the Department of Defense – U.S. Army Corps of Engineers. This fund was closed in 2018. The fund was not a major fund.

The remaining Special Revenue funds are not considered major funds: Liquor, Lodging, and dining Gross Receipts Tax Fund (SDCL 10-52A-2), 2nd% Sales & Use tax (SDCL 10-52-2), Business Improvement District (SDCL 9-55), TIF District No. 2, and TIF District No. 5.

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

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

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Municipality does not have any debt service funds.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Proprietary Funds:

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

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

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

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

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

Fiduciary Funds:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

Measurement Focus:

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

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

Basis of Accounting:

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

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

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

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

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

d. **Deposits and Investments:**

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

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

e. **Capital Assets:**

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

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

Government-Wide Financial Statements:

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend to useful life of a capital asset are also capitalized.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Government-Wide Financial Statements: (continued)

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

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

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

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

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

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

e. **Long-Term Liabilities:**

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

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

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

f. **Program Revenues:**

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

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

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

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

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

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

k. **Cash and Cash Equivalents:**

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

l. **Equity Classifications:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. **Application of Net Position:**

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

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

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

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

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Finance Officer.

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

The Nonspendable Fund Balance is comprised of the following:

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

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

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

o. **Pensions:**

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

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

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

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

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

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. RECEIVABLES AND PAYABLES:

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

4. RESTRICTED CASH AND INVESTMENTS:

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

	<u>Amount:</u>	<u>Purpose:</u>
	\$ 758,368	For debt service
	31,927	Cemetary projects
	<u>15,021</u>	Expo building
Total	<u>\$ 1,100,424</u>	

5. INVENTORY:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. The General Fund also owns certain plots of land which were acquired for industrial development and are held for resale.

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

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
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6. PROPERTY TAXES:

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

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

7. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2018 is as follows:

Governmental Activities:

Depreciation expense was charged to functions as follows:

	<u>Balance</u> <u>1/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,011,954	\$ --	\$ --	\$ 1,011,954
Construction in progress	<u>--</u>	<u>95,557</u>	<u>--</u>	<u>95,557</u>
Total, not being depreciated	<u>1,011,954</u>	<u>95,557</u>	<u>--</u>	<u>1,107,511</u>
Capital assets, being depreciated				
Buildings	533,364	--	--	533,364
Improvements	19,551,140	213,793	--	19,764,933
Equipment	<u>1,443,548</u>	<u>47,018</u>	<u>25,781</u>	<u>1,464,785</u>
Total, being depreciated	<u>21,528,052</u>	<u>260,811</u>	<u>25,781</u>	<u>21,763,082</u>
Less accumulated depreciation for:				
Buildings	297,120	6,512	--	303,632
Improvements	5,974,346	841,348	--	6,815,694
Equipment	<u>723,186</u>	<u>84,612</u>	<u>6,152</u>	<u>801,646</u>
Total accumulated depreciation	<u>6,994,652</u>	<u>932,472</u>	<u>6,152</u>	<u>7,920,972</u>
Capital Assets Net	<u>\$ 15,545,354</u>	<u>\$ (576,104)</u>	<u>\$ 19,629</u>	<u>\$ 14,949,621</u>

Depreciation expense was charged to functions as follows:

General government	\$ 653
Public safety	14,267
Public works	803,325
Culture and recreation	<u>114,227</u>
	<u>\$ 932,472</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. CHANGES IN CAPITAL ASSETS: (continued)

Business-Type Activities:

	<u>Balance 1/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2018</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 163,577	\$ --	\$ --	\$ 163,577
<i>Total, not being depreciated</i>	<u>163,577</u>	<u>--</u>	<u>--</u>	<u>163,577</u>
Capital assts, being depreciated:				
Buildings	4,781,926	--	144,858	4,637,068
Improvements	15,425,187	730,104	--	16,155,291
Equipment	1,348,385	19,910	--	1,368,295
<i>Total, being depreciated</i>	<u>21,555,498</u>	<u>750,014</u>	<u>144,858</u>	<u>22,160,654</u>
Less accumulated depreciation for:				
Buildings	1,949,869	72,703	131,972	1,890,600
Improvements	7,008,577	474,506	--	7,483,083
Equipment	682,361	80,556	--	762,917
<i>Total accumulated depreciation</i>	<u>9,640,807</u>	<u>627,765</u>	<u>131,972</u>	<u>10,136,600</u>
Capital Assets Net	<u>\$ 12,078,268</u>	<u>\$ 122,249</u>	<u>\$ 12,886</u>	<u>\$ 12,187,631</u>

Depreciation expense was charged to functions as follows:

Water	\$ 109,716
Electric	228,138
Sanitary Sewer	<u>289,911</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 627,765</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<i>Primary Government</i>					
Government Activities:					
Bonds Payable:					
Revenue	\$ 4,355,206	\$ —	\$ 353,023	\$ 4,002,183	\$ 199,270
Capital Leases	281,791	—	62,562	219,229	65,000
<i>Total Debt</i>	<u>4,636,997</u>	<u>—</u>	<u>415,585</u>	<u>4,221,412</u>	<u>264,270</u>
Accrued Leave	24,844	1,123	—	25,967	12,000
<i>Total Governmental Activities</i>	<u>4,661,841</u>	<u>1,123</u>	<u>415,585</u>	<u>4,247,379</u>	<u>276,270</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	1,294,753	—	509,781	784,972	414,030
Capital Leases	363,165	—	93,980	269,185	96,452
<i>Total Debt</i>	<u>1,657,918</u>	<u>—</u>	<u>603,761</u>	<u>1,054,157</u>	<u>510,482</u>
Accrued Compensated Absences	46,208	4,212	—	50,420	14,000
<i>Total Business-Type Activities</i>	<u>1,704,126</u>	<u>4,212</u>	<u>603,761</u>	<u>1,104,577</u>	<u>524,482</u>
<i>Total Primary Government</i>	<u>\$ 6,365,967</u>	<u>\$ 5,335</u>	<u>\$ 1,019,346</u>	<u>\$ 5,351,956</u>	<u>\$ 800,752</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT: (continued)

Debt payable at December 31, 2018, is comprised of the following:

Government Activity Debt:

Revenue bonds:

State Revolving Fund (SRF), Series 2011 Drainage ditch project	3% fixed; matures and final payment due July 1, 2031. This debt is serviced by the General Fund.	\$ 357,183
Series 2012 Sales Tax Revenue Bonds Street projects and refunding	.85% - 4.593% ; depending on length to maturity of individual bonds, final payment due December 1, 2032 This debt is serviced by the General Fund.	2,455,000
Note Payable American State Bank Street repairs	Variable rate; beginning at prime rate 3.48% Rate adjustment to prime rate in 2024. Final payment due May 1, 2014. This debt is is serviced by the General Fund.	<u>1,190,000</u>

Total Revenue Debt 4,002,183

American State Bank Capital Lease The purchase price at commencement of financing was \$138, 132 in 2015. Final payment is due May 2019	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	28,271
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American State Bank Capital Lease The purchase price at commencement of financing was \$284,984 in 2017. Final payment is due February 2023	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	<u>190,958</u>
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Total Lease payables 219,229

Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund.	<u>25,967</u>
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Total Governmental Activities Debt 4,247,379

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LONG-TERM DEBT: (continued)

Business Activity Debt:

Revenue bonds:

Series 2004 State Revolving Fund	3.5% ; matures June 1, 2026. This debt will be repaid from the Sanitary Sewer Fund.	\$ 203,215
Series 2007 Electric Revenue Bond	4.77% ; matures October 1, 2019. This debt will be repaid from the Electric Fund.	79,937
Series 2010 Water Revenue Bond	4.0% ; matures December 1, 2015. This debt will be repaid from the Sanitary Sewer Fund.	
Series 2011 Electric Surcharge Bond	2.75% ; matures December 1, 2019. This debt will be repaid from the Electric Fund.	305,000
Financing (Capital Acquisition) West Central Irv Simmons Substation	4.0% ; matures August 1, 2029. This debt will be repaid by the Electric Fund.	--
Series 2014 State Revolving Fund	3.25% ; matures July 14, 2044. This debt will be repaid from the Sanitary Sewer Fund.	<u>196,820</u>
<i>Total Revenue Debt</i>		784,972
American State Bank Capital Lease The purchase price at commencement of financing was \$275,263 in 2015. Final payment is due May 2019	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	56,338
American State Bank Capital Lease The purchase price at commencement of financing was \$280,828 in 2017. Final payment is due February 2023	The principal amount, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the useful-life of the asset, or the lease term (where title never transfers), as appropriate	<u>212,847</u>
Total Capital Leases		269,185
Compensated Absences:	The liability for compensated absences represents leave benefits earned as of December 31, 2016. This debt is serviced by the General Fund, Water Fund, and Sanitary Sewer Fund.	<u>50,420</u>
<i>Total Business Activity Debt</i>		<u>1,104,577</u>
<i>Grand Total</i>		<u><u>\$ 5,351,956</u></u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT: (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2018, except for compensated absences are as follows:

Governmental Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 199,270	\$ 138,301	\$ 64,260	\$ 6,347	\$ 263,530	\$ 144,648
2020	237,142	129,775	37,058	4,604	274,200	134,379
2021	245,087	123,456	38,159	3,504	283,246	126,960
2022	248,131	116,536	39,292	2,372	287,423	118,908
2023	256,279	109,359	40,460	1,206	296,739	110,565
2024-2028	1,407,473	422,755	--	--	1,407,473	422,755
2029-2033	1,358,425	153,107	--	--	1,358,425	153,107
2034-2038	50,376	876	--	--	50,376	876
2039-2043	<u>\$ 4,002,183</u>	<u>\$ 1,194,165</u>	<u>\$ 219,229</u>	<u>\$ 18,033</u>	<u>\$ 4,221,412</u>	<u>\$ 1,212,198</u>

Business-Type Activities:

Years Ending Dec. 31,	Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 414,030	\$ 26,610	\$ 96,452	\$ 7,668	\$ 510,482	\$ 34,278
2020	30,115	12,143	41,306	5,130	71,421	17,273
2021	31,173	10,986	42,533	3,903	73,706	14,889
2022	32,267	9,891	43,796	2,640	76,063	12,531
2023	33,400	8,758	45,098	1,339	78,498	10,097
2024-2028	104,974	28,702	--	--	104,974	28,702
2029-2033	36,725	19,835	--	--	36,725	19,835
2034-2038	43,177	13,383	--	--	43,177	13,383
2039-2043	50,762	5,798	--	--	50,762	5,798
2044	8,349	136	--	--	8,349	136
TOTAL	<u>\$ 784,972</u>	<u>\$ 136,242</u>	<u>\$ 269,185</u>	<u>\$ 20,680</u>	<u>\$ 1,054,157</u>	<u>\$ 156,922</u>

As of December 31, 2018, the Municipality was acting as a fiscal agent for two special assessment issues having a total outstanding balance of \$114,608. The Municipality is not liable, directly nor indirectly for the preceding special assessments.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. RESTRICTED NET POSITION:

Restricted Net Position for the year ended December 31, 2018 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Debt services	Debt covenants	\$ 758,368
Cemetery	Law	31,927
Expo building	Law	15,021
SDRS Pension purposes	Law	263,181
Total Restricted Net Position		<u>\$ 1,068,497</u>

10. PENSION PLAN:

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. PENSION PLAN: (continued)

Benefits Provided: (continued)

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2018, 2017, and 2016 equal to the required contributions each year as follows :

2018	\$	57,894
2017	\$	56,709
2016	\$	53,802

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. PENSION PLAN: (continued)

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2018 and reported by the Municipality as of December 31, 2018 are as follows:

Proportionate share of pension liability	\$ 5,496,840
Less proportionate share of total pension restricted for pension benefits	<u>5,497,887</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,047)</u>

At December 31, 2018, the Municipality reported an asset of (\$1,047) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 and the total pension liability used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2018, the Municipality's proportion was .04493310%, which is a decrease of .00008581% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018 the municipality recognized pension expense (reduction of pension expense) of (80,500). At December 31, 2018 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 39,608	\$ --
Changes in assumption	266,055	--
Net Difference between projected and actual earnings on pension plan investments	--	79,200
Changes in proportion and difference between City contributions and proportionate share of contributions	8,420	3,407
City contributions subsequent to the measurement date	<u>29,658</u>	<u>--</u>
Total Revenues	<u>\$ 343,741</u>	<u>\$ 82,607</u>

\$29,658 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

<i>Year Ended</i>	
<i>December 31:</i>	
2019	\$ 144,192
2020	108,438
2021	(11,791)
2022	<u>(8,363)</u>
	<u>\$ 232,476</u>

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. PENSION PLAN: (continued)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation **2.25 percent**
Salary increased **Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service**
Discount Rate **6.5% 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. Mortality 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, 2018 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. PENSION PLAN: (continued)

Discount Rate:

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

Sensitivity of Liability to Changes in the Discount Rate:

The following presents the Municipality's proportionate share of net pension asset calculated using the discount rate of 6.50 percent t, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 – percentage point lower (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)	\$ 791,491	\$ (1,047)	\$ (645,736)

Pension Plan Fiduciary Net Position:

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

MUNICIPALITY OF FORT PIERRE, SD
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11. RISK MANAGEMENT:

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2018, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Worker's Compensation:

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

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

Liability Insurance:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

End of Municipality's First Full Year	55%
End of Municipality's Second Full Year	50%
End of Municipality's Third Full Year	40%
End of Municipality's Fourth Full Year	35%
End of Municipality's Fifth Full Year	30%
End of Municipality's Sixth Full Year and Thereafter	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2018, the Municipality's balance available to be refunded per the SDPAA was \$93,370, which was an increase of \$63,980 from the previous year. The change in amount available for refund was reported as extraordinary item in the current period due to the change in the methodology of determining the amount available for refund. In future periods the change in the amount available for refund will be accounted for as an increase or decrease in the insurance expenditure/expenses.

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

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

Unemployment Benefits:

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

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

12. JOINT VENTURES:

Exposition Building:

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

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

The Municipality's interest in the facility as of December 31, 2018 is reported as a capital asset. Hughes County is acting the CAPA Municipality of fiscal agent during the construction of the facility and currently, while the Municipality of Pierre acted in the CAPA Municipality of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

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

Stanley County Law Enforcement:

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

As of December 31, 2017, this joint venture had a total equity of \$88,695.

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

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
REVENUES				
<i>Revenue from Local Sources:</i>				
Taxes:				
General property tax	\$ 1,158,818	\$ 1,158,818	\$ 1,117,011	\$ (41,807)
General sales and use tax	1,148,992	1,148,992	1,149,383	391
Amusement tax	450	450	384	(66)
Penalties and interest on taxes	3,000	3,000	2,751	(249)
				-
Licenses and permits	40,800	40,800	47,113	6,313
Intergovernmental:				
Federal grants	-	-	2,781	2,781
State grants	-	-	7,241	7,241
State shared revenues				
Bank franchise tax	1,800	1,800	13,973	12,173
Motor vehicle commercial prorate	5,000	5,000	5,160	160
Liquor tax reversion	12,500	12,500	12,703	203
Motor vehicle licenses (5%)	30,000	30,000	36,043	6,043
Local government highway and bridge fund	30,000	30,000	32,199	2,199
Other				-
County Shared Revenue:				
County road tax (25%)	4,444	4,444	4,444	-
Charges for Goods and Services:				
General government	59,200	59,200	45,803	(13,397)
Highway and streets	103,360	103,360	68,168	(35,192)
Sanitation	600	600	3,605	3,005
Health	1,500	1,500	950	(550)
Culture and recreation	31,000	31,000	40,249	9,249
Fines and Forfeits:				
Court fines and costs	200	200	205	5
Parking Fines	500	500	900	400
Miscellaneous Revenue:				
Investment earnings	2,500	2,500	6,106	3,606
Rentals	-	-	1,250	1,250
Special maintenance fee	500	500	755	255
Special assessments	144,706	144,706	131,531	(13,175)
Contributions and donations	-	83,500	3,876	(79,624)
Other	30,000	30,000	71,337	41,337
TOTAL REVENUES	<u>2,809,870</u>	<u>2,893,370</u>	<u>2,805,921</u>	<u>(87,449)</u>

See accompanying Note to Budgetary Comparison Schedules

MUNICIPALITY OF FORT PIERRE, SD
BUDGETARY COMPARISON SCHEDULES – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<i>Variance with Final Budget Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive (Negative)</u>
EXPENDITURES				
General Government:				
Mayor & council	\$ 105,731	\$ 105,731	\$ 100,520	\$ 5,211
Elections	1,500	1,500	12	1,488
Legal	60,000	60,000	49,507	10,493
Financial administration	149,211	149,211	142,059	7,152
General Government Building	–	–	46,363	(46,363)
Planning/zoning	54,775	54,775	–	54,775
Public Safety:				
Police	323,839	324,839	323,717	1,122
Fire	90,986	90,986	90,736	250
Building inspection	25,066	25,066	20,583	4,483
Civil defense	1,500	1,500	41	1,459
Public Works:				
Highways and streets	854,230	886,230	676,084	210,146
Sanitation	78,982	78,982	37,739	41,243
Transit	28,000	28,000	28,000	–
Health and Welfare:				
Health	26,610	26,610	26,110	500
Culture and Recreation:				
Recreation	121,183	121,183	112,778	8,405
Parks	278,085	278,085	267,164	10,921
Libraries	9,500	9,500	9,500	–
Expo building	–	–	4,253	(4,253)
Cultural arts	5,000	5,000	5,000	–
Museums	45,250	128,750	74,602	54,148
Conservation and Development:				
Dues and fees	500	500	500	–
Debt Service	565,934	565,934	565,934	–
TOTAL EXPENDITURES	<u>2,825,882</u>	<u>2,942,382</u>	<u>2,581,202</u>	<u>361,180</u>
<i>Excess of Revenues Over</i>				
<i>Expenditures</i>	<u>(16,012)</u>	<u>(49,012)</u>	<u>224,719</u>	<u>273,731</u>
Extraordinary item - change in restricted deposit				
	<u>–</u>	<u>–</u>	<u>63,980</u>	<u>63,980</u>
NET CHANGES IN FUND BALANCE	(16,012)	(49,012)	288,699	337,711
CHANGES IN NONSPENDABLE	–	–	(6,257)	(6,257)
FUND BALANCE, Beginning of Year	<u>1,345,599</u>	<u>1,345,599</u>	<u>1,345,599</u>	<u>–</u>
FUND BALANCE, End of Year	<u>\$ 1,329,587</u>	<u>\$ 1,296,587</u>	<u>\$ 1,628,041</u>	<u>\$ 331,454</u>

See accompanying Note to Budgetary Comparison Schedules.

MUNICIPALITY OF FORT PIERRE, SD
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED
DECEMBER 31, 2018

Note 1. Budgets and Budgetary Accounting:

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

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

MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 57,894	\$ 56,709	\$ 53,802	\$ 52,031
Contributions in relation to the contractually required contribution	<u>57,894</u>	<u>56,709</u>	<u>53,802</u>	<u>52,031</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 964,893	\$ 945,144	\$ 896,703	\$ 867,173
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

* 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. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

MUNICIPALITY OF FORT PIERRE, SD
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension asset	0.0449331%	0.0457912%	0.0479270%	0.0456770%
Municipality's proportionate share of net pension asset	\$ (1,047)	\$ (4,156)	\$ 161,893	\$ (193,729)
Municipality's covered-employee payroll	<u>934,119</u>	<u>930,382</u>	<u>911,329</u>	<u>833,928</u>
Municipality's proportionate share of the net pension asset as a percentage of its covered-employee payroll	11.00%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension asset	100.02%	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. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.