



Financial Statements  
December 31, 2015  
**City of Pierre**

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## **Independent Auditor's Report**

The City Commission  
City of Pierre  
Pierre, South Dakota

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

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 City of Pierre, South Dakota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Pierre, South Dakota, a discretely presented component unit, which statements reflect total assets and deferred outflows of \$1,307,454 as of June 30, 2015, and total revenues of \$970,998 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pierre, South Dakota, as of December 31, 2015, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Standard**

As discussed in Notes 1 and 20 to the financial statements, the City of Pierre has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of net position as of January 1, 2015. Our opinion was not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding in progress, schedule of net pension liability (asset), schedule of pension contributions, and budgetary comparison information on pages 49 through 55 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires 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 the missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pierre, South Dakota's financial statements. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of passenger facility charges are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of passenger facility charges, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2016 on our consideration of City of Pierre, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
September 19, 2016

City of Pierre  
Statement of Net Position—Exhibit I  
December 31, 2015

|   | Primary Government         |                             | Total                 | Component Unit                             |
|---|----------------------------|-----------------------------|-----------------------|--|
|   | Governmental<br>Activities | Business-Type<br>Activities |                       | Housing and<br>Redevelopment<br>Commission |
| <b>Assets</b>                             |                            |                             |                       |  |
| Cash and cash equivalents                 | \$ 5,399,347               | \$ 3,809,637                | \$ 9,208,984          | \$ 542,742                                 |
| Investments                               | -                          | 2,611,725                   | 2,611,725             | -  |
| Receivables                               | 2,602,756                  | 2,457,209                   | 5,059,965             | 15,504                                     |
| Internal balances                         | 746,184                    | (746,184)                   | -                     | -  |
| Inventories                               | 246,428                    | 1,206,251                   | 1,452,679             | 3,250                                      |
| Other assets                              | 151,799                    | -                           | 151,799               | 27,740                                     |
| Net pension asset                         | 1,419,649                  | 509,747                     | 1,929,396             | 53,236                                     |
| Restricted assets:                        |                            |                             |                       |  |
| Cash and cash equivalents                 | 95,320                     | 1,581,591                   | 1,676,911             | -  |
| Investments                               | -                          | 2,385,726                   | 2,385,726             | -  |
| Deposits                                  | 247,374                    | -                           | 247,374               | -  |
| Capital assets:                           |                            |                             |                       |  |
| Land and construction in process          | 15,187,418                 | 7,751,172                   | 22,938,590            | 80,645                                     |
| Other capital assets, net of depreciation | 39,637,389                 | 75,183,034                  | 114,820,423           | 537,603                                    |
|   | <u>65,733,664</u>          | <u>96,749,908</u>           | <u>162,483,572</u>    | <u>1,260,720</u>                           |
| <b>Deferred Outflows of Resources</b>     |                            |                             |                       |  |
| Pension related deferred outflows         | 2,469,063                  | 888,244                     | 3,357,307             | 46,734                                     |
| Total deferred outflows of resources      | <u>2,469,063</u>           | <u>888,244</u>              | <u>3,357,307</u>      | <u>46,734</u>                              |
|   | <u>\$ 68,202,727</u>       | <u>\$ 97,638,152</u>        | <u>\$ 165,840,879</u> | <u>\$ 1,307,454</u>                        |
| <b>Liabilities</b>                        |                            |                             |                       |  |
| Accounts payable                          | \$ 1,024,856               | \$ 1,222,072                | \$ 2,246,928          | \$ 10,507                                  |
| Accrued interest                          | 41,693                     | 82,513                      | 124,206               | -  |
| Other current liabilities                 | 99,197                     | 614,476                     | 713,673               | 10,496                                     |
| Noncurrent liabilities:                   |                            |                             |                       |  |
| Landfill closure and post closure costs   | -                          | 588,839                     | 588,839               | -  |
| Due within one year                       | 1,888,904                  | 1,594,138                   | 3,483,042             | 3,958                                      |
| Due in more than one year                 | 9,633,014                  | 17,035,295                  | 26,668,309            | 3,961                                      |
| Total liabilities                         | <u>12,687,664</u>          | <u>21,137,333</u>           | <u>33,824,997</u>     | <u>28,922</u>                              |
| <b>Deferred Inflows of Resources</b>      |                            |                             |                       |  |
| Pension related deferred inflows          | 2,122,202                  | 762,009                     | 2,884,211             | 61,656                                     |
| Total deferred inflows of resources       | <u>2,122,202</u>           | <u>762,009</u>              | <u>2,884,211</u>      | <u>61,656</u>                              |
| <b>Net Position</b>                       |                            |                             |                       |  |
| Net investment in capital assets          | 44,524,315                 | 64,663,363                  | 109,187,678           | 618,248                                    |
| Restricted for:                           |                            |                             |                       |  |
| Construction                              | -                          | 1,024,435                   | 1,024,435             | -  |
| SDRS net pension asset                    | 1,766,510                  | 635,982                     | 2,402,492             | 38,314                                     |
| Debt service                              | -                          | 2,490,114                   | 2,490,114             | -  |
| Cemetery                                  | 54,464                     | -                           | 54,464                | -  |
| Other purposes                            |                            |                             |                       |  |
| Public assurance alliance                 | 247,374                    | -                           | 247,374               | -  |
| Special sales tax                         | 1,306,806                  | -                           | 1,306,806             | -  |
| Storm drainage                            | 489,262                    | -                           | 489,262               | -  |
| Library                                   | 81,165                     | -                           | 81,165                | -  |
| Surface Transportation Program            | 2,939,275                  | -                           | 2,939,275             | -  |
| 911 purposes                              | 257,711                    | -                           | 257,711               | -  |
| Unrestricted                              | <u>1,725,979</u>           | <u>6,924,916</u>            | <u>11,590,170</u>     | <u>560,314</u>                             |
| Total net position                        | <u>53,392,861</u>          | <u>75,738,810</u>           | <u>129,131,671</u>    | <u>1,216,876</u>                           |
|   | <u>\$ 68,202,727</u>       | <u>\$ 97,638,152</u>        | <u>\$ 165,840,879</u> | <u>\$ 1,307,454</u>                        |

City of Pierre  
Statement of Activities–Exhibit II  
Year Ended December 31, 2015

| Functions/Programs  | Expenses             | Program Revenues        |  |  | Net (Expense) Revenue and Changes in Net Position |                             |                       | Component Unit<br>Housing and<br>Redevelopment<br>Commission |
|---|----------------------|-------------------------|--|--|---|-----------------------------|-----------------------|--|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                |                             | Total                 |  |
|   |                      |                         |  |  | Governmental<br>Activities                        | Business-Type<br>Activities |                       |  |
| <b>Primary Government</b>   |                      |                         |  |  |   |                             |                       |  |
| Governmental activities:  |                      |                         |  |  |   |                             |                       |  |
| General government  | \$ 4,490,585         | \$ 2,685,573            | \$ -                                     | \$ -                                   | \$ (1,805,012)                                    | \$ -                        | \$ (1,805,012)        | \$ -   |
| Public safety   | 4,023,826            | 642,145                 | 23,103                                   | -                                      | 586,448   | -                           | 586,448               | -  |
| Public works  | 2,945,660            | 600,777                 | 442,677                                  | 3,945,026                              | (1,902,206)                                       | -                           | (1,902,206)           | -  |
| Health and welfare  | 154,461              | 15,362                  | -  | -                                      | (139,099)   | -                           | (139,099)             | -  |
| Culture and recreation  | 3,706,880            | 685,161                 | 28,130                                   | 1,500,000                              | (1,493,589)                                       | -                           | (1,493,589)           | -  |
| Conservation and development  | 2,397,494            | -                       | -  | -                                      | (2,397,494)                                       | -                           | (2,397,494)           | -  |
| Intergovernmental   | 499,999              | -                       | -  | -                                      | (499,999)   | -                           | (499,999)             | -  |
| *Interest on long-term debt   | 252,368              | -                       | -  | -                                      | (252,368)   | -                           | (252,368)             | -  |
| <b>Total governmental activities</b>  | <b>18,471,273</b>    | <b>4,629,018</b>        | <b>493,910</b>                           | <b>5,445,026</b>                       | <b>(7,903,319)</b>                                | <b>-</b>                    | <b>(7,903,319)</b>    | <b>-</b>   |
| Business-type activities:   |                      |                         |  |  |   |                             |                       |  |
| Water   | 2,430,717            | 2,717,473               | 50,000                                   | 34,844                                 | -   | 371,600                     | 371,600               | -  |
| Electric  | 13,473,470           | 15,896,350              | 341,586                                  | 50,136                                 | -   | 2,814,602                   | 2,814,602             | -  |
| Waste water   | 2,764,407            | 3,144,800               | -  | 416,625                                | -   | 797,018                     | 797,018               | -  |
| Airport   | 2,108,750            | 330,423                 | -  | 819,708                                | -   | (958,619)                   | (958,619)             | -  |
| Garbage   | 134,955              | 75,511                  | -  | 5,641                                  | -   | (53,803)                    | (53,803)              | -  |
| Landfill  | 1,388,062            | 1,371,910               | -  | 122,991                                | -   | 106,839                     | 106,839               | -  |
| <b>Total business-type activities</b>   | <b>22,300,361</b>    | <b>23,536,467</b>       | <b>391,586</b>                           | <b>1,449,945</b>                       | <b>-</b>  | <b>3,077,637</b>            | <b>3,077,637</b>      | <b>-</b>   |
| <b>Total primary government</b>   | <b>\$ 40,771,634</b> | <b>\$ 28,165,485</b>    | <b>\$ 885,496</b>                        | <b>\$ 6,894,971</b>                    | <b>(7,903,319)</b>                                | <b>3,077,637</b>            | <b>(4,825,682)</b>    | <b>-</b>   |
| <b>Component Unit</b>   |                      |                         |  |  |   |                             |                       |  |
| Housing and Redevelopment Commission  | \$ 1,015,373         | \$ 141,874              | \$ 770,099                               | \$ 54,976                              |   |                             |                       | (48,424)   |
| <b>General Revenues</b>   |                      |                         |  |  |   |                             |                       |  |
| Taxes:  |                      |                         |  |  |   |                             |                       |  |
| Property taxes  |                      |                         |  |  | 3,919,059   | -                           | 3,919,059             | -  |
| Sales taxes   |                      |                         |  |  | 8,205,876   | -                           | 8,205,876             | -  |
| State shared revenue  |                      |                         |  |  | 188,905   | -                           | 188,905               | -  |
| County shared revenue   |                      |                         |  |  | 175,246   | -                           | 175,246               | -  |
| Unrestricted investment earnings  |                      |                         |  |  | 10,810  | 37,413                      | 48,223                | 1,525  |
| Other general revenues  |                      |                         |  |  | 502,297   | -                           | 502,297               | 2,524  |
| Transfers   |                      |                         |  |  | 1,100,264   | (1,100,264)                 | -                     | -  |
| Gain (Loss) on Disposal of Fixed Assets   |                      |                         |  |  | 53,265  | 107,501                     | 160,766               | -  |
| <b>Total general revenues, transfers, and gain (loss) on disposal of fixed assets</b> |                      |                         |  |  | <b>14,155,722</b>                                 | <b>(955,350)</b>            | <b>13,200,372</b>     | <b>4,049</b>   |
| <b>Change in Net Position</b>   |                      |                         |  |  | <b>6,252,403</b>                                  | <b>2,122,287</b>            | <b>8,374,690</b>      | <b>(44,375)</b>  |
| <b>Net Position - Beginning, as previously stated</b>                                 |                      |                         |  |  | <b>45,600,265</b>                                 | <b>73,063,493</b>           | <b>118,663,758</b>    | <b>1,232,665</b>   |
| Adjustments   |                      |                         |  |  |   |                             |                       |  |
| Change in reporting, GASB 68 (see Note 20)  |                      |                         |  |  | 1,540,193   | 553,030                     | 2,093,223             | 28,586   |
| <b>Net Position - Beginning, as restated</b>  |                      |                         |  |  | <b>47,140,458</b>                                 | <b>73,616,523</b>           | <b>120,756,981</b>    | <b>1,261,251</b>   |
| <b>Net Position - Ending</b>  |                      |                         |  |  | <b>\$ 53,392,861</b>                              | <b>\$ 75,738,810</b>        | <b>\$ 129,131,671</b> | <b>\$ 1,216,876</b>  |

\* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.

City of Pierre  
Balance Sheet—Governmental Funds—Exhibit III  
December 31, 2015

|   | General<br>Fund     | Capital<br>Improvement<br>Fund | Special Sales<br>Tax Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>   |                     |                                |                           |                                |                                |
| Cash and cash equivalents   | \$ 3,433,068        | \$ 32,804                      | \$ 1,243,348              | \$ 678,544                     | \$ 5,387,764                   |
| Investments   | -                   | -                              | -                         | -                              | -                              |
| Taxes receivable, delinquent  | 55,290              | -                              | -                         | -                              | 55,290                         |
| Accounts receivable, net  | 246,127             | 110,345                        | -                         | 32,271                         | 388,743                        |
| Unbilled accounts receivable  | -                   | -                              | -                         | 21,345                         | 21,345                         |
| Due from other government   | 943,514             | 591,283                        | 63,458                    | 518,986                        | 2,117,241                      |
| Due from other funds  | 801,022             | -                              | -                         | -                              | 801,022                        |
| Interest receivable   | -                   | -                              | -                         | -                              | -                              |
| Inventory of supplies   | 156,985             | -                              | -                         | 89,443                         | 246,428                        |
| Deposits  | 247,374             | -                              | -                         | -                              | 247,374                        |
| Prepaid expenses  | 151,799             | -                              | -                         | -                              | 151,799                        |
| Restricted cash and cash equivalents                                | -                   | -                              | -                         | 95,320                         | 95,320                         |
|   | <u>\$ 6,035,179</u> | <u>\$ 734,432</u>              | <u>\$ 1,306,806</u>       | <u>\$ 1,435,909</u>            | <u>\$ 9,512,326</u>            |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b> |                     |                                |                           |                                |                                |
| <b>Liabilities</b>  |                     |                                |                           |                                |                                |
| Accounts payable  | \$ 525,973          | \$ 10,643                      | \$ -                      | \$ 85,043                      | \$ 621,659                     |
| Contracts payable   | 58,513              | 62,743                         | -                         | 21,946                         | 143,202                        |
| Contracts payable - retained percentage                             | 26,316              | 33,953                         | -                         | -                              | 60,269                         |
| Due to other funds  | 54,838              | -                              | -                         | -                              | 54,838                         |
| Revenue collected in advance  | 93,636              | -                              | -                         | 561                            | 94,197                         |
| Total liabilities   | <u>759,276</u>      | <u>107,339</u>                 | <u>-</u>                  | <u>107,550</u>                 | <u>974,165</u>                 |
| Deferred Inflows of Resources                                       |                     |                                |                           |                                |                                |
| Unavailable revenues  | <u>503,544</u>      | <u>287,277</u>                 | <u>16,232</u>             | <u>227,511</u>                 | <u>1,034,564</u>               |
| <b>Fund Balances</b>  |                     |                                |                           |                                |                                |
| Nonspendable  | 556,158             | -                              | -                         | 89,443                         | 645,601                        |
| Restricted  | 2,939,275           | -                              | 1,290,574                 | 565,649                        | 4,795,498                      |
| Committed   | -                   | 339,816                        | -                         | 447,068                        | 786,884                        |
| Assigned  | 363,657             | -                              | -                         | -                              | 363,657                        |
| Unassigned  | 913,269             | -                              | -                         | (1,312)                        | 911,957                        |
| Total fund balances   | <u>4,772,359</u>    | <u>339,816</u>                 | <u>1,290,574</u>          | <u>1,100,848</u>               | <u>7,503,597</u>               |
|   | <u>\$ 6,035,179</u> | <u>\$ 734,432</u>              | <u>\$ 1,306,806</u>       | <u>\$ 1,435,909</u>            | <u>\$ 9,512,326</u>            |



City of Pierre  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Year Ended December 31, 2015

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|  | Total   |
|--|---|
| Total Fund Balances - Governmental Funds   | \$ 7,503,597  |
| 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 financial resource and, therefore, is not reported in the funds.   | 1,419,649   |
| Pension related deferred outflows are components of pension asset and, therefore, are not reported in the funds.   | 2,469,063   |
| Pension related deferred inflows are components of pension asset and, therefore, are not reported in the funds.  | (2,122,202)   |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 54,824,807  |
| Long-term liabilities, including bonds payable, capital leases payable, accrued leave payable and accrued other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.  | (11,521,918)  |
| Unpaid bond principal matured as of year end   | <div style="border-top: 1px solid black; border-bottom: 1px solid black;">40,856</div>    |
|  | (11,481,062)  |
| Taxes collected after year-end, but not available soon enough to pay for current period expenditures   | 1,034,564   |
| Payables for interest are recognized as expenses on the economic full accrual economic resources measurement focus presented in the government-wide financial statements but are not recognized generally until paid, which is recognized when due on the modified accrual current financial resources measurement focus presented in the fund financial statements. | (41,693)  |
| Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.  | <div style="border-top: 1px solid black; border-bottom: 1px solid black;">(213,862)</div> |
| Net Position - Governmental Funds  | \$ 53,392,861   |

City of Pierre

Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2015

|  | General<br>Fund   | Capital<br>Improvement<br>Fund | Special Sales<br>Tax Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                            |                   |                                |                           |                                |                                |
| Taxes:                                     |                   |                                |                           |                                |                                |
| General property taxes                     | \$ 2,845,688      | \$ -                           | \$ -                      | \$ 251,312                     | \$ 3,097,000                   |
| General sales and use taxes                | 3,701,614         | 3,701,613                      | 537,956                   | 264,693                        | 8,205,876                      |
| 911 Telephone surcharge                    | -                 | -                              | -                         | 239,522                        | 239,522                        |
| Penalties and interest on delinquent taxes | 7,513             | -                              | -                         | 336                            | 7,849                          |
| Licenses and permits                       | 237,054           | -                              | -                         | -                              | 237,054                        |
| Intergovernmental revenue:                 |                   |                                |                           |                                |                                |
| Federal grants                             | 414,887           | 57,623                         | -                         | 128,550                        | 601,060                        |
| State grants                               | 3,031,909         | 323,282                        | -                         | 17,140                         | 3,372,331                      |
| State shared revenues:                     |                   |                                |                           |                                |                                |
| Bank franchise tax                         | 82,168            | -                              | -                         | -                              | 82,168                         |
| Liquor tax reversion                       | 106,737           | -                              | -                         | -                              | 106,737                        |
| Motor vehicle licenses (5%)                | 102,602           | -                              | -                         | -                              | 102,602                        |
| Local government highway and bridge fund   | 340,075           | -                              | -                         | -                              | 340,075                        |
| County shared revenues:                    |                   |                                |                           |                                |                                |
| County road tax (25%)                      | 12,008            | -                              | -                         | -                              | 12,008                         |
| Other                                      | 11,236            | -                              | -                         | 152,002                        | 163,238                        |
| Charges for goods and services:            |                   |                                |                           |                                |                                |
| General government                         | 458,366           | -                              | -                         | 25,058                         | 483,424                        |
| Public safety                              | 13,224            | -                              | -                         | 628,921                        | 642,145                        |
| Highways and streets                       | -                 | 232,149                        | -                         | 332,178                        | 564,327                        |
| Health                                     | 15,362            | -                              | -                         | -                              | 15,362                         |
| Culture and recreation                     | 678,690           | -                              | -                         | 6,471                          | 685,161                        |
| Cemetery                                   | 36,450            | -                              | -                         | -                              | 36,450                         |
| Fines and forfeits:                        |                   |                                |                           |                                |                                |
| Court fines and costs                      | 3,211             | -                              | -                         | -                              | 3,211                          |
| Library                                    | -                 | -                              | -                         | 2,226                          | 2,226                          |
| Parking meter fines                        | 3,910             | -                              | -                         | -                              | 3,910                          |
| Miscellaneous revenues:                    |                   |                                |                           |                                |                                |
| Investment earnings                        | 5,138             | 1,177                          | 2,656                     | 1,839                          | 10,810                         |
| Rentals                                    | 22,551            | -                              | -                         | -                              | 22,551                         |
| Special assessments                        | -                 | 130,587                        | -                         | -                              | 130,587                        |
| Contributions from private sources         | 17,821            | 1,000                          | -                         | 4,047                          | 22,868                         |
| Other                                      | 491,120           | -                              | -                         | 1,830                          | 492,950                        |
| Total revenues                             | <u>12,639,334</u> | <u>4,447,431</u>               | <u>540,612</u>            | <u>2,056,125</u>               | <u>19,683,502</u>              |

City of Pierre  
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV  
Year Ended December 31, 2015

|   | General<br>Fund     | Capital<br>Improvement<br>Fund | Special Sales<br>Tax Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|---------------------------|--------------------------------|--------------------------------|
| Expenditures                                |                     |                                |                           |                                |                                |
| General government:                         |                     |                                |                           |                                |                                |
| Legislative                                 | 184,791             | -                              | -                         | -                              | 184,791                        |
| Elections                                   | 14                  | -                              | -                         | -                              | 14                             |
| Financial administration                    | 666,525             | -                              | -                         | -                              | 666,525                        |
| Other                                       | 1,138,688           | -                              | -                         | 130,669                        | 1,269,357                      |
| Public safety:                              |                     |                                |                           |                                |                                |
| Police                                      | 2,273,630           | -                              | -                         | 987,085                        | 3,260,715                      |
| Fire  | 359,081             | 190,793                        | -                         | -                              | 549,874                        |
| Public works:                               |                     |                                |                           |                                |                                |
| Highways and streets                        | 1,469,364           | 86,602                         | -                         | 8,263                          | 1,564,229                      |
| Sanitation                                  | -                   | 3,568                          | -                         | -                              | 3,568                          |
| Cemeteries                                  | 204,009             | -                              | -                         | -                              | 204,009                        |
| Health and welfare:                         |                     |                                |                           |                                |                                |
| Health                                      | 74,829              | -                              | -                         | 5,727                          | 80,556                         |
| Ambulance                                   | -                   | 66,000                         | -                         | -                              | 66,000                         |
| Culture and recreation:                     |                     |                                |                           |                                |                                |
| Recreation                                  | 475,728             | -                              | -                         | -                              | 475,728                        |
| Parks                                       | 1,834,216           | -                              | -                         | -                              | 1,834,216                      |
| Libraries                                   | 627,787             | -                              | -                         | 4,452                          | 632,239                        |
| Conservation and development:               |                     |                                |                           |                                |                                |
| Economic development                        | 422,109             | -                              | 1,905,498                 | 69,887                         | 2,397,494                      |
| Debt service                                | -                   | 736,790                        | 72,039                    | 251,648                        | 1,060,477                      |
| Intergovernmental                           | 499,999             | -                              | -                         | -                              | 499,999                        |
| Capital outlay                              | 1,365,459           | 3,120,084                      | 851,438                   | 623,915                        | 5,960,896                      |
| Total expenditures                          | <u>11,596,229</u>   | <u>4,203,837</u>               | <u>2,828,975</u>          | <u>2,081,646</u>               | <u>20,710,687</u>              |
| Excess of Revenue over (under) Expenditures | <u>1,043,105</u>    | <u>243,594</u>                 | <u>(2,288,363)</u>        | <u>(25,521)</u>                | <u>(1,027,185)</u>             |
| Other Financing Sources (Uses)              |                     |                                |                           |                                |                                |
| Transfers in                                | 2,617,165           | 450,977                        | -                         | 291,621                        | 3,359,763                      |
| Sale of City property                       | 63,768              | -                              | -                         | -                              | 63,768                         |
| Long-term debt issued                       | -                   | 817,600                        | 2,294,301                 | -                              | 3,111,901                      |
| Transfers out                               | (934,627)           | (1,688,192)                    | (10,885)                  | (9,087)                        | (2,642,791)                    |
| Total other financing sources (uses)        | <u>1,746,306</u>    | <u>(419,615)</u>               | <u>2,283,416</u>          | <u>282,534</u>                 | <u>3,892,641</u>               |
| Net Change in Fund Balances                 | 2,789,411           | (176,021)                      | (4,947)                   | 257,013                        | 2,865,456                      |
| Fund Balance - Beginning                    | <u>1,982,948</u>    | <u>515,837</u>                 | <u>1,295,521</u>          | <u>843,835</u>                 | <u>4,638,141</u>               |
| Fund Balance - Ending                       | <u>\$ 4,772,359</u> | <u>\$ 339,816</u>              | <u>\$ 1,290,574</u>       | <u>\$ 1,100,848</u>            | <u>\$ 7,503,597</u>            |

City of Pierre

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-  
Wide Statement of Activities  
Year Ended December 31, 2015

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|  |                            |
|--|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ 2,865,456               |
| Amounts Reported for Governmental Activities in the Statement of<br>Activities are Different Because:  |                            |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.                  | 3,543,526                  |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.   | 750,049                    |
| Bond principal matured but not paid as of year end is recorded as an expenditure in the governmental funds, but does not reduce long-term liabilities in the statement of net position.  | 40,856                     |
| In the statement of activities gains and losses on disposal of capital assets are reported, whereas in the fund financial statements, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.  | (10,503)                   |
| Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   | 17,204                     |
| Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.   | 226,317                    |
| Property tax revenues, special assessments and other revenue are reported in the period to be financed by the property tax levy or special assessments for both the governmental funds and the governmental activities, but in the funds statement, any amounts that are not "available" are offset with deferred inflows. | 574,688                    |
| The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.  | 1,500,000                  |
| Governmental funds do not reflect the change in accrued leave or other post-employment benefits, but the statement of activities reflects the change in these liabilities through expenditures.  | (115,301)                  |
| The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.   | (3,111,901)                |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds is reported with governmental activities.  | <u>(27,988)</u>            |
| Change in Net Position of Governmental Activities  | <u><u>\$ 6,252,403</u></u> |

City of Pierre  
Balance Sheet—Proprietary Funds—Exhibit V  
December 31, 2015

|  | Enterprise Funds     |                      |                      |                      |                        | Totals               | Internal Service Funds |
|--|----------------------|----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
|  | Water Fund           | Electric Fund        | Waste Water Fund     | Airport Fund         | Other Enterprise Funds |                      |                        |
| <b>Assets</b>                            |                      |                      |                      |                      |                        |                      |                        |
| <b>Current Assets</b>                    |                      |                      |                      |                      |                        |                      |                        |
| Cash and cash equivalents                | \$ 1,475,742         | \$ 1,645,333         | \$ -                 | \$ -                 | \$ 688,562             | \$ 3,809,637         | \$ 11,583              |
| Investments                              | -                    | 2,611,725            | -                    | -                    | -                      | 2,611,725            | -                      |
| Accounts receivable, net                 | 109,772              | 593,876              | 242,983              | 41,106               | 143,416                | 1,131,153            | 20,137                 |
| Unbilled accounts receivable             | 91,883               | 696,394              | 153,140              | -                    | 4,967                  | 946,384              | -                      |
| Notes receivable                         | -                    | 12,831               | -                    | -                    | -                      | 12,831               | -                      |
| Due from other fund                      | -                    | 54,838               | -                    | -                    | -                      | 54,838               | -                      |
| Due from federal/state government        | 25,761               | 17,435               | 3,532                | 316,434              | 3,679                  | 366,841              | -                      |
| Interest receivable                      | -                    | -                    | -                    | -                    | -                      | -                    | -                      |
| Inventory of supplies                    | 242,593              | 721,233              | -                    | 28,002               | 209,080                | 1,200,908            | -                      |
| Inventory of stores purchased for resale | -                    | -                    | -                    | -                    | 5,343                  | 5,343                | -                      |
| Total current assets                     | <u>1,945,751</u>     | <u>6,353,665</u>     | <u>399,655</u>       | <u>385,542</u>       | <u>1,055,047</u>       | <u>10,139,660</u>    | <u>31,720</u>          |
| <b>Noncurrent Assets</b>                 |                      |                      |                      |                      |                        |                      |                        |
| Restricted cash and cash equivalents     | 60,568               | 1,063,185            | 5,070                | -                    | 452,768                | 1,581,591            | -                      |
| Restricted investments                   | -                    | 1,153,828            | 1,231,898            | -                    | -                      | 2,385,726            | -                      |
| Net pension asset                        | 99,171               | 161,683              | 77,369               | 55,760               | 115,764                | 509,747              | -                      |
| <b>Capital assets:</b>                   |                      |                      |                      |                      |                        |                      |                        |
| Land                                     | 181,258              | 31,675               | 49,434               | 235,889              | 3,986,551              | 4,484,807            | -                      |
| Buildings and infrastructure             | 13,340,997           | 1,330,133            | 16,559,971           | 36,880,584           | 2,981,826              | 71,093,511           | -                      |
| Improvements                             | -                    | 28,098,093           | 8,199,315            | -                    | 264,926                | 36,562,334           | -                      |
| Machinery and equipment                  | 2,863,587            | 2,004,279            | 1,690,200            | 3,665,917            | 2,680,010              | 12,903,993           | -                      |
| Construction in progress                 | 1,150,074            | 1,289,128            | 223,442              | 603,721              | -                      | 3,266,365            | -                      |
| Less accumulated depreciation            | <u>(6,231,907)</u>   | <u>(7,687,936)</u>   | <u>(14,424,241)</u>  | <u>(14,213,729)</u>  | <u>(2,818,991)</u>     | <u>(45,376,804)</u>  | <u>-</u>               |
| Total noncurrent assets                  | <u>11,463,748</u>    | <u>27,444,068</u>    | <u>13,612,458</u>    | <u>27,228,142</u>    | <u>7,662,854</u>       | <u>87,411,270</u>    | <u>-</u>               |
| <b>Deferred Outflows of Resources</b>    |                      |                      |                      |                      |                        |                      |                        |
| Pension related deferred outflows        | 173,733              | 281,292              | 135,186              | 96,899               | 201,134                | 888,244              | -                      |
| Total deferred outflows of resources     | <u>173,733</u>       | <u>281,292</u>       | <u>135,186</u>       | <u>96,899</u>        | <u>201,134</u>         | <u>888,244</u>       | <u>-</u>               |
|  | <u>\$ 13,583,232</u> | <u>\$ 34,079,025</u> | <u>\$ 14,147,299</u> | <u>\$ 27,710,583</u> | <u>\$ 8,919,035</u>    | <u>\$ 98,439,174</u> | <u>\$ 31,720</u>       |

City of Pierre  
Balance Sheet—Proprietary Funds—Exhibit V  
December 31, 2015

|  | Enterprise Funds     |                      |                      |                      |                              | Totals               | Internal<br>Service Funds |
|--|----------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|---------------------------|
|  | Water<br>Fund        | Electric<br>Fund     | Waste Water<br>Fund  | Airport<br>Fund      | Other<br>Enterprise<br>Funds |                      |                           |
| <b>Liabilities</b>                             |                      |                      |                      |                      |                              |                      |                           |
| <b>Current Liabilities</b>                     |                      |                      |                      |                      |                              |                      |                           |
| Accounts payable                               | \$ 22,177            | \$ 905,982           | \$ 56,493            | \$ 18,970            | \$ 73,330                    | \$ 1,076,952         | \$ 240,582                |
| Incurring but not reported claims              | -                    | -                    | -                    | -                    | -                            | -                    | 5,000                     |
| Contracts payable                              | -                    | -                    | 44,070               | 63,155               | -                            | 107,225              | -                         |
| Contracts payable - retained percentage        | -                    | -                    | -                    | 37,895               | -                            | 37,895               | -                         |
| Accrued interest payable                       | 1,597                | 33,503               | 47,413               | -                    | -                            | 82,513               | -                         |
| Accrued taxes payable                          | -                    | 54,838               | -                    | -                    | -                            | 54,838               | -                         |
| Accrued leave payable                          | 39,463               | 118,821              | 75,772               | 22,582               | 101,952                      | 358,590              | -                         |
| Customer deposits                              | -                    | 521,063              | -                    | 25                   | -                            | 521,088              | -                         |
| Revenue collected in advance                   | 4,056                | 26,624               | 4,540                | 3,123                | 207                          | 38,550               | -                         |
| Due to other funds                             | -                    | -                    | 242,864              | 555,529              | 2,629                        | 801,022              | -                         |
| Revenue bond payable current                   | 214,644              | 345,000              | 675,904              | -                    | -                            | 1,235,548            | -                         |
| Total current liabilities                      | <u>281,937</u>       | <u>2,005,831</u>     | <u>1,147,056</u>     | <u>701,279</u>       | <u>178,118</u>               | <u>4,314,221</u>     | <u>245,582</u>            |
| <b>Noncurrent Liabilities</b>                  |                      |                      |                      |                      |                              |                      |                           |
| Revenue bonds payable                          | 654,687              | 12,210,000           | 4,170,608            | -                    | -                            | 17,035,295           | -                         |
| Accrued landfill closure and postclosure costs | -                    | -                    | -                    | -                    | 588,839                      | 588,839              | -                         |
| Total noncurrent liabilities                   | <u>654,687</u>       | <u>12,210,000</u>    | <u>4,170,608</u>     | <u>-</u>             | <u>588,839</u>               | <u>17,624,134</u>    | <u>-</u>                  |
| <b>Deferred Inflows of Resources</b>           |                      |                      |                      |                      |                              |                      |                           |
| Pension related deferred inflows               | 148,248              | 241,697              | 115,657              | 83,354               | 173,053                      | 762,009              | -                         |
| Total deferred inflows of resources            | <u>148,248</u>       | <u>241,697</u>       | <u>115,657</u>       | <u>83,354</u>        | <u>173,053</u>               | <u>762,009</u>       | <u>-</u>                  |
| <b>Net Position</b>                            |                      |                      |                      |                      |                              |                      |                           |
| Net investment in capital assets               | 10,434,678           | 12,510,372           | 7,451,609            | 27,172,382           | 7,094,322                    | 64,663,363           | -                         |
| Restricted for:                                |                      |                      |                      |                      |                              |                      |                           |
| Bond debt service                              | 60,568               | 1,192,578            | 1,236,968            | -                    | -                            | 2,490,114            | -                         |
| Construction                                   | -                    | 1,024,435            | -                    | -                    | -                            | 1,024,435            | -                         |
| SDRS pension purposes                          | 124,656              | 201,278              | 96,898               | 69,305               | 143,845                      | 635,982              | -                         |
| Unrestricted                                   | 1,878,458            | 4,692,834            | (71,497)             | (315,737)            | 740,858                      | 6,924,916            | (213,862)                 |
| Total net position                             | <u>12,498,360</u>    | <u>19,621,497</u>    | <u>8,713,978</u>     | <u>26,925,950</u>    | <u>7,979,025</u>             | <u>75,738,810</u>    | <u>(213,862)</u>          |
|  | <u>\$ 13,583,232</u> | <u>\$ 34,079,025</u> | <u>\$ 14,147,299</u> | <u>\$ 27,710,583</u> | <u>\$ 8,919,035</u>          | <u>\$ 98,439,174</u> | <u>\$ 31,720</u>          |

City of Pierre  
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds—Exhibit VI  
Year Ended December 31, 2015

|  | Enterprise Funds |               |                  |               |                        | Totals        | Internal Service Funds |
|--|------------------|---------------|------------------|---------------|------------------------|---------------|------------------------|
|  | Water Fund       | Electric Fund | Waste Water Fund | Airport Fund  | Other Enterprise Funds |               |                        |
| Operating Revenue                                |                  |               |                  |               |                        |               |                        |
| Charges for goods and services                   | \$ 2,713,941     | \$ 15,720,099 | \$ 3,061,883     | \$ 146,523    | \$ 1,445,588           | \$ 23,088,034 | \$ 1,811,957           |
| Revenue dedicated to servicing debt              | -                | -             | 71,795           | -             | -                      | 71,795        | -                      |
| Miscellaneous                                    | 3,532            | 159,791       | 10,335           | 22,077        | 76                     | 195,811       | -                      |
| Total operating revenue                          | 2,717,473        | 15,879,890    | 3,144,013        | 168,600       | 1,445,664              | 23,355,640    | 1,811,957              |
| Operating Expenses                               |                  |               |                  |               |                        |               |                        |
| Personal services                                | 662,073          | 888,795       | 449,476          | 355,984       | 661,163                | 3,017,491     | 1,599,803              |
| Other current expenses                           | 959,199          | 2,173,403     | 1,091,781        | 216,499       | 440,086                | 4,880,968     | 623,434                |
| Materials (cost of goods sold)                   | 261,379          | 8,611,657     | 388,541          | 118,499       | 129,091                | 9,509,167     | -                      |
| Depreciation                                     | 513,756          | 986,111       | 739,784          | 1,417,768     | 292,677                | 3,950,096     | -                      |
| Total operating expenses                         | 2,396,407        | 12,659,966    | 2,669,582        | 2,108,750     | 1,523,017              | 21,357,722    | 2,223,237              |
| Operating Income (Loss)                          | 321,066          | 3,219,924     | 474,431          | (1,940,150)   | (77,353)               | 1,997,918     | (411,280)              |
| Nonoperating Revenue (Expense)                   |                  |               |                  |               |                        |               |                        |
| Capital grants                                   | 24,616           | 35,517        | 281,383          | 819,317       | 84,536                 | 1,245,369     | -                      |
| Investment earnings                              | 2,747            | 26,807        | 1,984            | -             | 5,875                  | 37,413        | -                      |
| Rental revenue                                   | -                | 16,460        | 787              | 161,823       | 1,757                  | 180,827       | -                      |
| Interest expense                                 | (34,310)         | (813,504)     | (94,825)         | -             | -                      | (942,639)     | -                      |
| Recovery zone federal subsidy                    | -                | 341,586       | -                | -             | -                      | 341,586       | -                      |
| Insurance proceeds                               | 10,228           | 14,619        | 135,242          | -             | 44,096                 | 204,185       | -                      |
| Other - local grant                              | 50,000           | -             | -                | -             | -                      | 50,000        | -                      |
| Gain (loss) on disposition of assets             | 36,925           | 16,848        | 785              | -             | 52,943                 | 107,501       | -                      |
| Total nonoperating revenue (expense)             | 90,206           | (361,667)     | 325,356          | 981,140       | 189,207                | 1,224,242     | -                      |
| Income (Loss) Before Contributions and Transfers | 411,272          | 2,858,257     | 799,787          | (959,010)     | 111,854                | 3,222,160     | (411,280)              |
| Capital contributions                            | -                | -             | -                | 391           | -                      | 391           | -                      |
| Transfers in                                     | 1,155,967        | -             | -                | 411,295       | 1,541,041              | 3,108,303     | 383,292                |
| Transfers out                                    | -                | (3,696,330)   | (67,715)         | -             | (444,522)              | (4,208,567)   | -                      |
| Change in Net Position                           | 1,567,239        | (838,073)     | 732,072          | (547,324)     | 1,208,373              | 2,122,287     | (27,988)               |
| Net Position - Beginning, as Previously Stated   | 10,823,529       | 20,284,158    | 7,897,968        | 27,412,780    | 6,645,058              | 73,063,493    | (185,874)              |
| Adjustments                                      |                  |               |                  |               |                        |               |                        |
| GASB 68 prior period adjustment (Note 20)        | 107,592          | 175,412       | 83,938           | 60,494        | 125,594                | 553,030       | -                      |
| Net Position - Beginning                         | 10,931,121       | 20,459,570    | 7,981,906        | 27,473,274    | 6,770,652              | 73,616,523    | (185,874)              |
| Net Position - Ending                            | \$ 12,498,360    | \$ 19,621,497 | \$ 8,713,978     | \$ 26,925,950 | \$ 7,979,025           | \$ 75,738,810 | \$ (213,862)           |

City of Pierre  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2015

|   | Enterprise Funds   |                    |                  |                  |                        | Totals             | Internal Service Funds |
|---|--------------------|--------------------|------------------|------------------|------------------------|--------------------|------------------------|
|   | Water Fund         | Electric Fund      | Waste Water Fund | Airport Fund     | Other Enterprise Funds |                    |                        |
| Cash Flows from (used for) Operating Activities                     |                    |                    |                  |                  |                        |                    |                        |
| Receipts from customers   | \$ 2,643,391       | \$ 16,073,827      | \$ 2,979,755     | \$ 233,982       | \$ 1,398,325           | \$ 23,329,280      | \$ 1,791,821           |
| Payments to suppliers   | (1,231,386)        | (10,887,063)       | (1,575,727)      | (292,678)        | (588,807)              | (14,575,661)       | (563,727)              |
| Payments to employees   | (674,488)          | (909,194)          | (458,499)        | (361,116)        | (676,922)              | (3,080,219)        | (1,599,803)            |
| Net Cash from (used for) Operating Activities                       | <u>737,517</u>     | <u>4,277,570</u>   | <u>945,529</u>   | <u>(419,812)</u> | <u>132,596</u>         | <u>5,673,400</u>   | <u>(371,709)</u>       |
| Cash Flows from (used for) Noncapital Financing Activities          |                    |                    |                  |                  |                        |                    |                        |
| Due to other funds  | -                  | (54,838)           | 242,864          | 2,124            | 2,629                  | 192,779            | -                      |
| Transfers from other funds  | 1,088,252          | -                  | -                | 411,295          | 1,096,519              | 2,596,066          | 383,292                |
| Transfers to other funds  | -                  | (3,692,513)        | -                | -                | -                      | (3,692,513)        | -                      |
| Net Cash from (used for) Noncapital Financing Activities            | <u>1,088,252</u>   | <u>(3,747,351)</u> | <u>242,864</u>   | <u>413,419</u>   | <u>1,099,148</u>       | <u>(903,668)</u>   | <u>383,292</u>         |
| Cash Flows from (used for) Capital and Related Financing Activities |                    |                    |                  |                  |                        |                    |                        |
| Capital contributions   | -                  | -                  | -                | 391              | -                      | 391                | -                      |
| Capital grants  | 74,616             | 35,517             | 281,383          | 819,317          | 84,536                 | 1,295,369          | -                      |
| Proceeds from debt issuance   | -                  | -                  | 986,512          | -                | -                      | 986,512            | -                      |
| Proceeds from sale of capital assets                                | 53,846             | 16,848             | 785              | -                | 112,795                | 184,274            | -                      |
| Recovery zone federal subsidy                                       | -                  | 341,586            | -                | -                | -                      | 341,586            | -                      |
| Other receipts  | 10,228             | 31,079             | 136,029          | 161,823          | 45,853                 | 385,012            | -                      |
| Purchase of capital assets  | (1,900,133)        | (2,565,234)        | (1,468,943)      | (975,138)        | (1,698,217)            | (8,607,665)        | -                      |
| Debt principal paid   | (207,293)          | (340,000)          | (625,000)        | -                | -                      | (1,172,293)        | -                      |
| Debt interest paid  | (34,980)           | (814,278)          | (101,075)        | -                | -                      | (950,333)          | -                      |
| Net Cash from (used for) Capital and Related Financing Activities   | <u>(2,003,716)</u> | <u>(3,294,482)</u> | <u>(790,309)</u> | <u>6,393</u>     | <u>(1,455,033)</u>     | <u>(7,537,147)</u> | <u>-</u>               |
| Cash Flows from (used for) Investing Activities                     |                    |                    |                  |                  |                        |                    |                        |
| Cash invested in by (used from) restricted / reserve accounts       | -                  | 35,745             | (682,170)        | -                | 165,572                | (480,853)          | -                      |
| Cash received for interest  | 2,747              | 26,807             | 1,984            | -                | 5,875                  | 37,413             | -                      |
| Net Cash from (used for) Investing Activities                       | <u>2,747</u>       | <u>62,552</u>      | <u>(680,186)</u> | <u>-</u>         | <u>171,447</u>         | <u>(443,440)</u>   | <u>-</u>               |



City of Pierre  
Statement of Cash Flows—Proprietary Funds—Exhibit VII  
Year Ended December 31, 2015

|   | Enterprise Funds    |                     |                     |                     |                              | Totals              | Internal<br>Service Funds |
|---|---------------------|---------------------|---------------------|---------------------|------------------------------|---------------------|---------------------------|
|   | Water<br>Fund       | Electric<br>Fund    | Waste Water<br>Fund | Airport<br>Fund     | Other<br>Enterprise<br>Funds |                     |                           |
| Net Change in Cash and Cash Equivalents   | (175,200)           | (2,701,711)         | (282,102)           | -                   | (51,842)                     | (3,210,855)         | 11,583                    |
| Balances - Beginning  | 1,650,942           | 6,958,769           | 282,102             | -                   | 740,404                      | 9,632,217           | -                         |
| Balances - Ending   | <u>\$ 1,475,742</u> | <u>\$ 4,257,058</u> | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 688,562</u>            | <u>\$ 6,421,362</u> | <u>\$ 11,583</u>          |
| Reconciliation of Operating Income (Loss) to net cash from (used for) operating activities: |                     |                     |                     |                     |                              |                     |                           |
| Operating income (loss)   | \$ 321,066          | \$ 3,219,924        | \$ 474,431          | \$ (1,940,150)      | \$ (77,353)                  | \$ 1,997,918        | \$ (411,280)              |
| Adjustments to reconcile operating income to net cash from (used for) operating activities: |                     |                     |                     |                     |                              |                     |                           |
| Depreciation expense  | 513,756             | 986,111             | 739,784             | 1,417,768           | 292,677                      | 3,950,096           | -                         |
| Change in assets and liabilities:   |                     |                     |                     |                     |                              |                     |                           |
| Receivables   | (74,082)            | 177,469             | (164,258)           | 65,382              | (47,339)                     | (42,828)            | (20,136)                  |
| Inventories   | 37,523              | 218,185             | -                   | 614                 | (82,524)                     | 173,798             | -                         |
| Accounts and other payables   | (48,331)            | (320,188)           | (95,405)            | 41,706              | 62,894                       | (359,324)           | 59,707                    |
| Customer deposits   | -                   | 16,468              | -                   | -                   | -                            | 16,468              | -                         |
| Accrued leave payable   | 4,649               | 5,467               | 3,937               | 3,679               | 2,493                        | 20,225              | -                         |
| Pension related deferred inflows, outflows and pension asset                                | (17,064)            | (25,866)            | (12,960)            | (8,811)             | (18,252)                     | (82,953)            | -                         |
| Net Cash from (used for) Operating Activities   | <u>\$ 737,517</u>   | <u>\$ 4,277,570</u> | <u>\$ 945,529</u>   | <u>\$ (419,812)</u> | <u>\$ 132,596</u>            | <u>\$ 5,673,400</u> | <u>\$ (371,709)</u>       |
| Noncash Investing, Capital and Financing Activities:  |                     |                     |                     |                     |                              |                     |                           |
| Gain on disposal of capital assets not affecting income                                     | \$ 36,925           | \$ 16,848           | \$ 785              | \$ -                | \$ 52,943                    | \$ 107,501          | \$ -                      |

City of Pierre  
Statement of Net Position—Fiduciary Funds—Exhibit VIII  
December 31, 2015

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|                                     | <u>Agency Fund</u>      |
|-------------------------------------|-------------------------|
| Assets                              |                         |
| Cash and cash equivalents           | <u>\$ 20,167</u>        |
|                                     | <u><u>\$ 20,167</u></u> |
| Liabilities                         |                         |
| Accounts payable and other payables | \$ 3,503                |
| Amounts held for others             | <u>16,664</u>           |
|                                     | <u><u>\$ 20,167</u></u> |

## **Note 1 - Summary of Significant Accounting Policies**

### **A. Financial Reporting Entity**

The reporting entity of the City of Pierre (the City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

Financial statements of the Housing and Redevelopment Commission of the City of Pierre, SD are discretely presented in the accompanying financial statements under "component units". This financial information is as of and for the year ended June 30, 2015. The financial statements have been audited by other auditors. During the Commission's fiscal year ended June 30, 2015, the Commission incurred \$30,290, of utilities and internal service charges from different departments of the City of Pierre.

The component unit is a governmental unit formed to provide low income housing to residents of the City of Pierre.

The criteria for including the component unit in the financial reporting entity is that of control over the appointment of members of the governing board of the component unit. The City Commission appoints the board members of the component unit, thus having control over it. The City Commission has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49.1, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The component unit is reported using the accrual basis for accounting.

Separate financial statements for the component unit can be obtained from the City of Pierre Housing and Redevelopment Commission of Pierre, PO Box 937, Pierre South Dakota 57501.

The City participates in a cooperative unit for Exposition Building (Hughes County, Stanley County, and the City of Fort Pierre (see Note 17)). 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 the nature of their relationship with the City.

## **B. Basis of Presentation**

### **Government-Wide Statements**

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on asset and liabilities within the governmental and business-type funds activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities which are presented as Internal Balances. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A above and may be classified as either governmental or business-type activities. See the discussion of individual component unit in Note 1 above.

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

### **Fund Financial Statements**

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

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

The funds of the financial reporting entity are described below:

### **Governmental Funds**

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

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.

Special Sales Tax Fund – A fund established by ordinance to account for a portion of the City’s gross receipts tax. Proceeds from this tax are used for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditorium or athletic facility buildings, including the maintenance, staffing and operations of such facilities, and the promotion and advertising of the municipality, its facilities, attractions and activities. This is a major fund.

The remaining Special Revenue Funds are reported in the aggregate in the Other Governmental Funds Column on the fund financial statements: Storm Drainage Fund, E911 Fund, Library Fund, Police Pistol Range Fund, Cable Access Fund, and Occupancy Tax Fund. These are not major funds.

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

Capital Improvement Fund – A fund established by ordinance to account for a portion of the City’s general sales tax. Proceeds from this tax are to be used for capital outlay expenditures and for retiring capital improvement indebtedness for both Governmental and Business-Type Activity debt. This is a major fund.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City’s programs – that is for the benefit of the City and its citizenry.

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

TIF Funds – To account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has three of these debt service funds (TIF #4, #5, and #6). These are not major funds.

### **Proprietary Funds**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Enterprise Funds**

The City reports the following major enterprise funds:

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

Electric Fund – To account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Wastewater Fund – To account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Airport Fund – To account for the acquisition, construction and operation of a municipal airport (SDCL 50-7-2).

The City reports the following non-major enterprise funds:

Garbage Fund – To account for the collection and disposal of solid waste from the City (SDCL 9-32-11 and 34A-6).

Landfill Fund – To account for the construction and operation of landfill operation for the City.

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

### **Fiduciary Funds**

Agency Funds – Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of the "Payroll Clearing Fund" and "Medical Reimbursement Clearing Fund". Agency funds are never considered to be major funds.

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

## Basis of Accounting

### Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

### Fund Financial Statements

All governmental funds 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 City, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2015 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

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

All proprietary funds and fiduciary funds 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.

## **D. Interfund Eliminations and Reclassifications**

### **Government-Wide Financial Statements**

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.
3. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

### **Fund Financial Statements**

Noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts) are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources”.

## **E. Deposits and Investments**

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

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

## **F. Capital Assets**

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

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



For governmental activities capital assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is capitalized in accordance with US GAAP.

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net position. Accumulated depreciation is reported on the government-wide statement of net position and on each proprietary fund’s statement of net position/balance sheet. 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<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|--------------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land and land rights                 | ***                                 | ***                            | ***                              |
| Buildings                            | \$ 5,000                            | Straight-line                  | 40-99 years                      |
| Improvements other than buildings    | 5,000                               | Straight-line                  | 10-25 years                      |
| Machinery and equipment              | 5,000                               | Straight-line                  | 3-25 years                       |
| Infrastructure                       | 5,000                               | Straight-line                  | 25-50 years                      |
| Utilities, property and improvements | 5,000                               | Straight-line                  | 10-50 years                      |

\*\*\*Land, an inexhaustible capital asset, is all capitalized and is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

### G. Long-term Liabilities

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

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

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle 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 statements.

#### **H. Program Revenues**

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

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

#### **I. Deferred Inflows and Deferred Outflows of Recourses**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension asset / liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City's governmental funds report unavailable revenues from sales taxes, delinquent property taxes and delinquent special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset (liability) not included in pension expense reported in the government-wide statement of net position..

#### **J. Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund's statement of activities, 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 City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's unrestricted equity in the cash management pool is considered to be cash equivalents for the purpose of the statement of cash flows, excluding funds that are held in reserve or restricted.

### **L. Restricted Assets**

Certain debt proceeds of the City's governmental and enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also certain resources have been set aside to fund capital asset construction and future landfill closure and post-closure costs.

### **M. Equity Classifications**

#### **Government-Wide 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 places 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 “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

### **N. Application of Net Position**

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

## **O. Fund Balance Classification Policies and Procedures**

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – Amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact. Nonspendable assets of the City also include the vested balance in the reserve fund of the South Dakota Public Assurance Alliance (see Note 3).
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City 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 City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances reported on the balance sheet of the governmental funds is provided as follows:

|                                   | <u>General Fund</u> | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Special<br/>Sales Tax<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------|---------------------|---|---------------------------------------|---|---|
| Fund Balances                     |                     |   |                                       |   |   |
| Nonspendable:                     |                     |   |                                       |   |   |
| Public assurance alliance reserve | \$ 247,374          | \$ -                                    | \$ -                                  | \$ -                                    | \$ 247,374                              |
| Inventory                         | 156,985             | -                                       | -                                     | 89,443                                  | 246,428                                 |
| Prepaid expenses                  | 151,799             | -                                       | -                                     | -                                       | 151,799                                 |
| Restricted for:                   |                     |   |                                       |   |   |
| Public works                      | 2,939,275           | -                                       | -                                     | -                                       | 2,939,275                               |
| Special sales tax                 | -                   | -                                       | 1,290,574                             | -                                       | 1,290,574                               |
| Storm drainage                    | -                   | -                                       | -                                     | 258,290                                 | 258,290                                 |
| Library                           | -                   | -                                       | -                                     | 81,165                                  | 81,165                                  |
| 911                               | -                   | -                                       | -                                     | 171,730                                 | 171,730                                 |
| Cemetery                          | -                   | -                                       | -                                     | 54,464                                  | 54,464                                  |
| Committed to:                     |                     |   |                                       |   |   |
| Capital improvements              | -                   | 339,816                                 | -                                     | -                                       | 339,816                                 |
| Culture and recreation            | -                   | -                                       | -                                     | 134,578                                 | 134,578                                 |
| Occupancy tax                     | -                   | -                                       | -                                     | 312,490                                 | 312,490                                 |
| Assigned to:                      |                     |   |                                       |   |   |
| Applied to next year's budget     | 77,000              | -                                       | -                                     | -                                       | 77,000                                  |
| Capital accumulations             | 286,657             | -                                       | -                                     | -                                       | 286,657                                 |
| Unassigned                        | 913,269             | -                                       | -                                     | (1,312)                                 | 911,957                                 |
| Total fund balances               | <u>\$ 4,772,359</u> | <u>\$ 339,816</u>                       | <u>\$ 1,290,574</u>                   | <u>\$ 1,100,848</u>                     | <u>\$ 7,503,597</u>                     |

### P. Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

### Q. Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **R. Adoption of New Accounting Standard – GASB Statement No. 68 and GASB Statement No. 71**

As of January 1, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension revenue/expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 20 and the additional disclosures required by these standards are included in Note 12.

## **S. Recent Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement supercedes various previous Statements as they related to measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

GASB 72 will be effective for fiscal years beginning after June 15, 2015, with earlier application encouraged. The City is currently evaluating the impact this statement will have on financial reporting.

## **T. Subsequent Events**

Subsequent to year-end, the City has entered into contracts in the amount of approximately \$2.98 million for various contracted projects.

## **Note 2 - Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

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

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

The actual bank balances at December 31, 2015 were as follows:

| Primary Government  | Bank Balance  |
|---|---------------|
| Insured (FDIC/NCUA)   | \$ 2,729,984  |
| Uninsured, collateral jointly held by State's/City's agent in<br>the name of the State and the pledging financial institution | 13,496,955    |
| Total deposits  | \$ 16,226,939 |

The carrying amount of deposits on the December 31, 2015 statement of net position was \$13,429,439.

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

The amount reported as deposits and investments includes \$452,768 of the Landfill Fund which is being held in trust for the purpose of paying closure and postclosure costs relating to the City operated landfill. These assets are restricted as to use, and are not available to the City without prior approval of the State of South Dakota Department of Environment and Natural Resources. The amount reported as deposits and investments also includes \$2,490,114 of the various funds restricted for debt service and \$1,024,435 restricted for construction.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2015, the City's deposits in financial institutions were properly collateralized.

Investments – As of December 31, 2015, the City had the following investments:

| Investment  | Credit Rating | Maturities | Fair Value          |
|---|---------------|------------|---------------------|
| Federated Treasury Obligation Service<br>Fund SS - Money Market | Not Rated     | # N/A      | \$ 682,413          |
| Money Market Cash Sweep Account                                 | Not Rated     | N/A        | 1,060,180           |
| U.S. Treasury Note  | AAA           | 9/30/2019  | 161,828             |
| U.S. Treasury Note  | AAA           | 11/20/2017 | 549,486             |
| Total investments   |               |            | <u>\$ 2,453,907</u> |

**Custodial Credit Risk (Component Unit)** – The Commission does not have a deposit policy for custodial risk. As of June 30, 2015, the Commission’s deposits were fully insured or collateralized and were not exposed to custodial risk.

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

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

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

### **Note 3 - Receivables and Payables**

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

### **Note 4 - Due from Other Governments**

- General Fund – \$74,776 due from federal government for grants, \$209,222 due from state government for grants, \$525,977 due from state government for 1% city sales tax; \$68,138 due from state government for local government highway/bridge funds; \$21,882 due from state government for liquor tax reversion funds; \$10,000 due from state government for mosquito control grant; \$5,873 due from state government for surplus property; and \$27,646 due from county government for taxes and licenses.
- Capital Improvement Fund – \$525,977 due from state government for 1% city sales tax; \$57,646 due from federal government for grant, and \$7,660 due from state government for grant.
- Special Sales Tax Fund – \$63,458 due from state government for 1% city sales tax.
- Water Fund – \$17,423 due from federal government for grants, \$2,323 due from state government for grants, and \$6,015 due from state for surplus property.



- Electric Fund – \$17,435 due from state for surplus property.
- Waste Water Fund – \$2,424 due from federal government for grant, \$323 due from state government for grant, and \$785 due from state for surplus property.
- Airport Fund – \$296,782 due from federal government for grant and \$19,652 due from state government for grants.
- E-911 Fund – \$217,625 due from state government for state radio charges.
- Storm Drainage Fund – \$17,140 due from state government for grant and \$270,079 due from federal government for grant.
- Occupancy Tax Fund – \$14,142 due from state government for hotel occupancy tax.
- Garbage Fund – \$30 due from governments for grants.
- Landfill Fund - \$3,219 due from federal government for grant and \$430 due from state government for grant.

#### **Note 5 - Inventory**

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

Inventory in the storm drainage fund and the proprietary funds is recorded as an asset when acquired. The consumption of inventories 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 are off-set by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current position.

#### **Note 6 - Unavailable Revenue**

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unavailable revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. The City has two types of unavailable revenue, reported in the governmental funds balance sheet. The governmental funds report unavailable delinquent property tax revenues as well as sales tax revenues not considered available as of year-end.

**Note 7 - Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

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

**Note 8 - Changes in Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2015 follows:

| <u>Primary Government</u>                    | <u>Balance<br/>01/01/15</u> | <u>Increases</u>    | <u>Decreases</u>   | <u>Balance<br/>12/31/15</u> |
|--|-----------------------------|---------------------|--------------------|-----------------------------|
| Governmental Activities:                     |                             |                     |                    |                             |
| Capital assets, not being depreciated:       |                             |                     |                    |                             |
| Land   | \$ 11,742,886               | \$ 2,360,458        | \$ -               | \$ 14,103,344               |
| Construction in progress                     | -                           | 1,084,074           | -                  | 1,084,074                   |
| Total capital assets, not being depreciated  | <u>11,742,886</u>           | <u>3,444,532</u>    | <u>-</u>           | <u>15,187,418</u>           |
| Capital assets, being depreciated:           |                             |                     |                    |                             |
| Buildings                                    | 18,811,665                  | 127,862             | -                  | 18,939,527                  |
| Improvements other than buildings            | 43,503,452                  | 3,196,001           | (867,952)          | 45,831,501                  |
| Machinery and equipment                      | 11,034,066                  | 692,499             | (286,281)          | 11,440,284                  |
| Total capital assets, being depreciated      | <u>73,349,183</u>           | <u>4,016,362</u>    | <u>(1,154,233)</u> | <u>76,211,312</u>           |
| Less accumulated depreciation for:           |                             |                     |                    |                             |
| Buildings                                    | 8,576,286                   | 557,870             | -                  | 9,134,156                   |
| Improvements                                 | 19,358,629                  | 1,218,667           | (867,952)          | 19,709,344                  |
| Machinery and equipment                      | 7,365,371                   | 640,832             | (275,780)          | 7,730,423                   |
| Total accumulated depreciation               | <u>35,300,286</u>           | <u>2,417,369</u>    | <u>(1,143,732)</u> | <u>36,573,923</u>           |
| Total capital assets, being depreciated, net | <u>38,048,897</u>           | <u>1,598,993</u>    | <u>(10,501)</u>    | <u>39,637,389</u>           |
| Governmental activity capital assets, net    | <u>\$ 49,791,783</u>        | <u>\$ 5,043,525</u> | <u>\$ (10,501)</u> | <u>\$ 54,824,807</u>        |

Depreciation expense was charged to functions as follows:

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$ 92,466           |
| Public safety  | 310,552             |
| Public works   | 1,196,486           |
| Health and welfare                                   | 7,905               |
| Culture and recreation                               | 809,960             |
| Total depreciation expense - governmental activities | <u>\$ 2,417,369</u> |

City of Pierre  
Notes to Financial Statements  
December 31, 2015

| <u>Primary Government</u>                    | <u>Balance<br/>01/01/15</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Balance<br/>12/31/15</u> |
|--|-----------------------------|---------------------|---------------------|-----------------------------|
| Business-Type Activities:                    |                             |                     |                     |                             |
| Capital assets, not being depreciated:       |                             |                     |                     |                             |
| Land   | \$ 2,781,254                | \$ 1,703,552        | \$ -                | \$ 4,484,806                |
| Construction in progress                     | 388,808                     | 3,393,405           | (515,847)           | 3,266,366                   |
| Total capital assets, not being depreciated  | <u>3,170,062</u>            | <u>5,096,957</u>    | <u>(515,847)</u>    | <u>7,751,172</u>            |
| Capital assets, being depreciated:           |                             |                     |                     |                             |
| Buildings                                    | 42,693,113                  | 380,050             | -                   | 43,073,163                  |
| Improvements other than buildings            | 63,096,996                  | 1,996,685           | (510,999)           | 64,582,682                  |
| Machinery and equipment                      | 11,455,150                  | 1,649,887           | (201,044)           | 12,903,993                  |
| Total capital assets, being depreciated      | <u>117,245,259</u>          | <u>4,026,622</u>    | <u>(712,043)</u>    | <u>120,559,838</u>          |
| Less accumulated depreciation for:           |                             |                     |                     |                             |
| Buildings                                    | 15,388,578                  | 1,426,917           | -                   | 16,815,495                  |
| Improvements                                 | 20,560,194                  | 1,714,820           | (510,996)           | 21,764,018                  |
| Machinery and equipment                      | 6,109,325                   | 808,359             | (120,393)           | 6,797,291                   |
| Total accumulated depreciation               | <u>42,058,097</u>           | <u>3,950,096</u>    | <u>(631,389)</u>    | <u>45,376,804</u>           |
| Total capital assets, being depreciated, net | <u>75,187,162</u>           | <u>76,526</u>       | <u>(80,654)</u>     | <u>75,183,034</u>           |
| Business-type activity capital assets, net   | <u>\$ 78,357,224</u>        | <u>\$ 5,173,483</u> | <u>\$ (596,501)</u> | <u>\$ 82,934,206</u>        |

Depreciation expense was charged to functions as follows:

|   |  |                     |
|---|--|---------------------|
| Business-type activities:                             |  |                     |
| Water   |  | \$ 513,756          |
| Electric  |  | 986,111             |
| Waster water  |  | 739,784             |
| Airport   |  | 1,417,768           |
| Garbage   |  | 12,394              |
| Landfill  |  | 280,283             |
| Total depreciation expense - business-type activities |  | <u>\$ 3,950,096</u> |

The City has active construction projects as of December 31, 2015. At year end, the City had commitments with contractors and ongoing projects as follows:

|  | <u>Project<br/>Authorization</u> | <u>Expended<br/>Through<br/>12/31/2015</u> | <u>Committed</u>    |
|--|----------------------------------|--|---------------------|
| Hyde Stadium                             | \$ 1,455,623                     | \$ 600,996                                 | \$ 854,627          |
| Capitol Creek Rehab                      | 526,328                          | 483,078                                    | 43,250              |
| Ulmen Lift Station                       | 245,200                          | 116,485                                    | 128,715             |
| AMI Project - Electric                   | -                                | 1,289,128                                  | -                   |
| AMI Project - Water                      | -                                | 1,150,074                                  | -                   |
| Hilger's Gulch Storm Sewer (Engineering) | -                                | 106,957                                    | -                   |
| Airport Apron                            | 1,352,005                        | 603,722                                    | 748,284             |
|  | <u>\$ 3,579,156</u>              | <u>\$ 4,350,440</u>                        | <u>\$ 1,774,876</u> |

## Note 9 - Changes in Component Unit Capital Assets

A summary of changes in component unit capital assets for the year ended June 30, 2015 is as follows:

| Primary Government                           | Balance<br>07/01/14 | Increases   | Decreases | Balance<br>06/30/15 |
|--|---------------------|-------------|-----------|---------------------|
| Governmental Activities:                     |                     |             |           |                     |
| Capital assets, not being depreciated:       |                     |             |           |                     |
| Land   | \$ 80,645           | \$ -        | \$ -      | \$ 80,645           |
| Total capital assets, not being depreciated  | 80,645              | -           | -         | 80,645              |
| Capital assets, being depreciated:           |                     |             |           |                     |
| Buildings and improvements                   | 2,517,655           | 54,080      | -         | 2,571,735           |
| Furniture and equipment                      | 212,594             | 7,398       | -         | 219,992             |
| Total capital assets, being depreciated      | 2,730,249           | 61,478      | -         | 2,791,727           |
| Less accumulated depreciation for:           |                     |             |           |                     |
| Buildings and improvements                   | 2,011,419           | 69,065      | -         | 2,080,484           |
| Furniture and equipment                      | 160,243             | 13,397      | -         | 173,640             |
| Total accumulated depreciation               | 2,171,662           | 82,462      | -         | 2,254,124           |
| Total capital assets, being depreciated, net | 558,587             | (20,984)    | -         | 537,603             |
| Governmental activity capital assets, net    | \$ 639,232          | \$ (20,984) | \$ -      | \$ 618,248          |

## Note 10 - Long-Term Debt

A summary of changes in long-term debt follows:

| Primary Government             | January 1,<br>2015 | Increases    | Decreases      | December 31,<br>2015 | Due Within<br>One Year | Interest<br>Paid |
|--------------------------------|--------------------|--------------|----------------|----------------------|------------------------|------------------|
| Governmental activities:       |                    |              |                |                      |                        |                  |
| Bonds payable:                 |                    |              |                |                      |                        |                  |
| Revenue                        | \$ 7,938,640       | \$ 3,111,901 | \$ (750,049)   | \$ 10,300,492        | \$ 1,042,286           | \$ 257,703       |
| Total debt                     | 7,938,640          | 3,111,901    | (750,049)      | 10,300,492           | 1,042,286              | 257,703          |
| Accrued compensated absences   | 828,435            | 18,183       | -              | 846,618              | 846,618                | -                |
| OPEB                           | 277,689            | 97,119       | -              | 374,808              | -                      | -                |
| Total government activities    | 9,044,764          | 3,227,203    | (750,049)      | 11,521,918           | 1,888,904              | 257,703          |
| Business-type activities:      |                    |              |                |                      |                        |                  |
| Bonds payable:                 |                    |              |                |                      |                        |                  |
| Revenue                        | 18,456,624         | 986,512      | (1,172,293)    | 18,270,843           | 1,235,548              | 950,333          |
| Accrued compensated absences   | 338,364            | 20,226       | -              | 358,590              | 358,590                | -                |
| Total business-type activities | 18,794,988         | 1,006,738    | (1,172,293)    | 18,629,433           | 1,594,138              | 950,333          |
| Total primary government       | \$ 27,839,752      | \$ 4,233,941 | \$ (1,922,342) | \$ 30,151,351        | \$ 3,483,042           | \$ 1,208,036     |
| Component Unit                 |                    |              |                |                      |                        |                  |
| Accrued compensated absences   | \$ 7,758           | \$ 3,785     | \$ (3,624)     | \$ 7,919             | \$ 3,958               | \$ -             |

Debt payable at December 31, 2015 is comprised of the following:

Government Activity Debt

Revenue Bonds

|   |              |
|---|--------------|
| 2010 Tax Increment Revenue Bond for TIF District No. 6 Loan, payable by a Debt Service Fund. Terms call for semi-annual payments of approximately \$80,000 at 5.5% interest, matures 2026.  | \$ 1,284,850 |
| 2009 Tax Increment Revenue Bond for TIF District No. 5 Loan, payable by a Debt Service Fund. Terms are for semi-annual payments of approximately \$37,000 at 4.8% interest, matures 2023.   | 467,051      |
| 2008 Tax Increment Revenue Bond for TIF District No. 4 Loan, payable by a debt service fund. Terms are for semi-annual payments at 4.5% interest, matures 2024.   | 115,595      |
| State Revolving Fund - Solid Waste Landfill and Baler, matures December 31, 2023, 3% interest rate, payments to be financed from the Capital Improvement Fund.  | 283,420      |
| 2009 Regional Landfill Assistance Loan, payable by capital improvement fund, due in semi-annual installments of \$23,814, including 2.5% interest, matures June 1, 2017.  | 69,691       |
| State Revolving Loan Fund for landfill remediation. Terms are quarterly payments of \$10,685, including 3.25% interest until April 15, 2031; payment to be financed by the Capital Improvement Fund.  | 518,815      |
| State Revolving Fund Loan for the development of a landfill, matures June 30, 2025, 3.5% interest rate, payment to be financed from the Capital Improvement Fund.   | 643,569      |
| State Revolving Fund Loan for landfill containment/replacement, terms are one payment of interest only of \$4,823 and 13 semi-annual payments of \$35,318, including 2.25% interest until December 1, 2019. Payment to be financed by Capital Improvement Fund. | 284,842      |
| 2014 Refunding Certificates of Participation, interest rates of 2.5%, matures July 1, 2018, annual principal and interest payments of \$455,728 to be financed by the Capital Improvement Fund.   | 1,301,571    |
| 2013 Sales Tax Revenue Bonds, terms are monthly payments of \$64,677 including 3.3% interest until November 1, 2023; amount is pledged by Sales Tax Revenues and financed by Tax Increment Financing Revenues   | 4,513,488    |
| 2015 Sales Tax Revenue Bond, terms are quarterly payments of \$22,883 including 2.25% interest until November 15, 2025; payment to be financed by the Capital Improvement Fund.   | 817,600      |

Total revenue debt

10,300,492

|  |               |
|--|---------------|
| Compensated Absences   |               |
| The liability for compensated absences represents leave benefits earned as of  |               |
| December 31, 2015:   |               |
| Annual leave   | 424,251       |
| Sick leave   | 392,177       |
| Comp leave   | 30,190        |
|  | 846,618       |
| Total  | 846,618       |
| Other post employment benefits   | 374,808       |
| Total governmental activity debt   | 11,521,918    |
| Business-Activity Debt   |               |
| Revenue Bonds  |               |
| Drinking Water State Revolving Fund Loan (1), matures January 1, 2018, 3.5% interest rate, payment to be financed from the Water Fund.   | 182,474       |
| Drinking Water State Revolving Fund Loan (2), matures September 30, 2020, 3.5% interest rate, payment to be financed from the Water Fund.  | 686,857       |
| Waste Water Revenue Refunding Bonds, Series 2010B, matures January 1, 2021, 2%-2.9% interest rate, payment to be financed from the Waste Water Fund.   | 3,860,000     |
| 2013 Sales Tax Revenue Bonds, terms are monthly payments of \$64,677 including 3.3% interest until November 1, 2023; payment to be financed from the Waste Water Fund. Amount pledged by Sales Tax Revenue.  | 986,512       |
| Electric Revenue Bonds, Series 2010C, (Recovery Zone Economic Development Bonds). Proceeds used for a new electric substation, matures December 15, 2040, 3% to 7.5% interest rates with a 45% federal credit, payments to be made by the Electric Fund. | 12,555,000    |
|  | 18,270,843    |
| Total revenue bonds  | 18,270,843    |
| Compensated Absences   |               |
| Compensated absences of enterprise:  |               |
| Employees:   |               |
| Annual leave   | 207,983       |
| Sick leave   | 135,560       |
| Comp leave   | 15,047        |
|  | 358,590       |
| Total compensated absences   | 358,590       |
| Total business-type activity debt  | 18,629,433    |
| Grand Total, Primary Government  | \$ 30,151,351 |
| Component Unit compensated absences  | \$ 7,919      |

The annual requirements to amortize all debt outstanding as of December 31, 2015 excluding compensated absences and other post-employment benefits are as follows:

**Governmental Activities**

| <u>Year Ending<br/>December 31</u> | <u>Revenue</u>       |                     |
|------------------------------------|----------------------|---------------------|
|                                    | <u>Principal</u>     | <u>Interest</u>     |
| 2016                               | \$ 1,083,143         | \$ 328,976          |
| 2017                               | 1,028,842            | 297,022             |
| 2018                               | 1,087,475            | 266,496             |
| 2019                               | 662,442              | 235,792             |
| 2020                               | 649,303              | 215,475             |
| 2021-2025                          | 5,308,983            | 585,353             |
| 2026-2030                          | 459,191              | 36,709              |
| 2031-2035                          | 21,113               | 257                 |
|                                    | <u>\$ 10,300,492</u> | <u>\$ 1,966,080</u> |

**Business-Type Activities**

| <u>Year Ending<br/>December 31</u> | <u>Revenue</u>       |                      |
|------------------------------------|----------------------|----------------------|
|                                    | <u>Principal</u>     | <u>Interest</u>      |
| 2016                               | \$ 1,235,547         | \$ 952,403           |
| 2017                               | 1,264,520            | 919,042              |
| 2018                               | 1,234,733            | 882,549              |
| 2019                               | 1,240,343            | 844,713              |
| 2020                               | 872,776              | 808,013              |
| 2021-2025                          | 3,692,924            | 3,542,376            |
| 2026-2030                          | 2,380,000            | 2,839,550            |
| 2031-2035                          | 2,860,000            | 1,961,060            |
| 2036-2040                          | 3,490,000            | 805,875              |
|                                    | <u>\$ 18,270,843</u> | <u>\$ 13,555,581</u> |

**Note 11 - Interfund Balances and Transfers**

Individual fund receivable/payable balances at December 31, 2015 are as follows:

|                  | Interfund<br>Receivables | Interfund<br>Payables |
|------------------|--------------------------|-----------------------|
| Major Funds:     |                          |                       |
| General Fund     | \$ 801,022               | \$ 54,838             |
| Electric Fund    | 54,838                   | -                     |
| Waste Water Fund | -                        | 242,864               |
| Airport Fund     | -                        | 555,529               |
| Non-major Funds: |                          |                       |
| Garbage Fund     | -                        | 2,629                 |
|                  | \$ 855,860               | \$ 855,860            |

The reasons for the interfund balances at December 31, 2015 is that the general fund subsidized the negative cash balances in the waste water, airport, and garbage funds, and electric fund is owed amounts from the general fund for accrued taxes. The City expects all interfund balances to be repaid within one year.

Transfers for 2015 were as follows:

| Fund                   | Transfers In | Transfers Out |
|------------------------|--------------|---------------|
| General                | \$ 2,617,165 | \$ 934,627    |
| Special revenue funds: |              |               |
| Capital improvement    | 450,977      | 1,688,192     |
| Special Tax            | -            | 10,885        |
| E-911                  | 178,825      | -             |
| Storm drainage         | 112,796      | 9,087         |
| Enterprise funds:      |              |               |
| Water                  | 1,155,967    | -             |
| Electric               | -            | 3,696,330     |
| Waste Water            | -            | 67,715        |
| Airport                | 411,295      | -             |
| Garbage                | 31,675       | -             |
| Landfill               | 1,509,366    | 444,522       |
| Internal service       | 383,292      | -             |
|                        | \$ 6,851,358 | \$ 6,851,358  |

The reasons for the 2015 transfers were as follows:

|                         |              |
|-------------------------|--------------|
| To subsidize operations | \$ 6,851,358 |
|-------------------------|--------------|



## Note 12 - Retirement Plan

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

### Benefits Provided

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

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

### Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by State statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Member, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions made to the SDRS for the years ended December 31, 2015, 2014 and 2013 were \$508,955, \$492,989 and \$472,648, respectively, equal to the required contributions each year.

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the City as of this measurement period and reported by the City as of December 31, 2015 are as follows:

|   |                                |
|---|--------------------------------|
| Proportionate share of net position restricted for pension benefits | \$ 49,023,335                  |
| Less proportionate share of total pension liability                 | <u>47,093,939</u>              |
| <br>Proportionate share of net pension asset                        | <br><u><u>\$ 1,929,396</u></u> |

At December 31, 2015, the City reported an asset of \$1,929,396 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was 0.4549% which was an 0.0115% increase from the prior year.

For the year ended December 31, 2015, the City recognized pension expense of \$199,685. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 395,053                           | \$ -                                |
| Changes in assumption   | 1,529,889                            | -                                   |
| Net difference between projected and actual earnings on pension plan investments                        | 1,178,635                            | 2,846,861                           |
| Changes in proportion and difference between the contributions and proportionate share of contributions | -                                    | 37,350                              |
| Contributions subsequent to the measurement date  | <u>253,730</u>                       | <u>-</u>                            |
|   | <u><u>\$ 3,357,307</u></u>           | <u><u>\$ 2,884,211</u></u>          |

There is \$253,730 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as an increase of pension expense in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended<br>December 31: | Amount                   |
|----------------------------|--------------------------|
| 2016                       | \$ 80,566                |
| 2017                       | 80,566                   |
| 2018                       | (256,814)                |
| 2019                       | <u>315,048</u>           |
|                            | <u><u>\$ 219,366</u></u> |

### Actuarial Assumptions

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.25%   |
| Salary increases          | 5.83% at entry to 3.87% after 30 years of service                               |
| Investment rate of return | 7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense |

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity      | 61.0%                    | 4.5%  |
| Fixed Income       | 27.0%                    | 1.8%  |
| Real Estate        | 10.0%                    | 5.2%  |
| Cash               | 2.0%                     | 0.8%  |
|                    | <u>100.0%</u>            |   |

### Discount Rate

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**Sensitivity of Asset to Changes in the Discount Rate**

The following presents the City's proportionate share of net pension asset as of December 31, 2015 calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25/6.50%) or one percentage point higher (8.25/8.50%) than the current rate:

|  | 1% Decrease    | Current<br>Discount Rate | 1% Increase  |
|--|----------------|--------------------------|--------------|
| City's proportionate share of<br>the net pension asset (liability) | \$ (4,856,267) | \$ 1,929,396             | \$ 7,462,519 |

**Pension Plan Fiduciary Net Position**

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

**Note 13 - Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2015, the City managed its risks as follows:

**Employee Health Insurance**

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$40,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier, up to a specific annual maximum of \$2,000,000 per member. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the amount of claims liabilities in the last three years were as follows:

|      | Balance at<br>January 1 | Claims and<br>Changes in<br>Estimates | Claim<br>Payments | Balance at<br>December 31 |
|------|-------------------------|---------------------------------------|-------------------|---------------------------|
| 2015 | \$ 185,874              | \$ 1,556,329                          | \$ 1,496,621      | \$ 245,582                |
| 2014 | 230,579                 | 1,247,222                             | 1,291,927         | 185,874                   |
| 2013 | 256,331                 | 1,681,358                             | 1,707,110         | 230,579                   |

**Workmen's Compensation**

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$900,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

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

**Liability**

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

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$3,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$1,000 deductible for the automobile coverage and \$1,000 deductible for the general liability.

A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2015, the City has vested balance in the cumulative reserve fund of \$247,374.

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

**Unemployment Benefits**

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

## **Component Unit**

The Commission 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. The Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions; health insurance from a commercial insurance carrier; and liability insurance for workmen's compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

## **Note 14 - Closure and Post-Closure Care Cost**

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$588,839 reported as landfill closure and postclosure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2003 and 5.3% of the new landfill which opened in 2003. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$6.86 million for the operating landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The closure and postclosure costs have been calculated using a closure period when the largest amount of landfill would be open and require the most costly closure activity. This conservative approach assumes a closure date of 2072. The ultimate capacity of the landfill is expected to be reached sometime after 2150. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and Federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements, and at December 31, 2015, the City had contributed \$452,768 to this trust. The City expects that any future inflation costs will be paid from earnings on these investments and future contributions. However, if investment earnings are inadequate or additional closure or postclosure care requirements are determined (due to changes in technology or applicable laws or regulations); these costs may need to be covered by charges to future users of the solid waste system or from future non-ad valorem assessments.

## **Note 15 - Post Employment Benefits**

### **Plan Description**

The City's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 9-14-35 and SDCL 6-1-16 and is administered by the City. The Plan does not issue a stand-alone financial report.

### Funding Policy

The contributions of plan members and the City are established by City policy. The required contribution is based on projected “pay-as-you-go” financial requirements, with an additional amount to prefund benefits as determined annually by the City. For 2015, the required contribution to the Plan was \$149,968. Contributions made in 2015 were \$52,849, thus the City accrued a liability of \$374,808, as of December 31, 2015.

### Annual OPEB cost and Net OPEB Obligation

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

The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City’s net OPEB obligation to the Plan:

|  | 2015                     | 2014                     | 2013                     |
|--|--------------------------|--------------------------|--------------------------|
| Annual required contribution (ARC)         | \$ 154,772               | \$ 154,772               | \$ 127,801               |
| Interest on net OPEB obligation            | 11,501                   | 8,125                    | 10,682                   |
| Adjustment to ARC                          | <u>(16,305)</u>          | <u>(11,519)</u>          | <u>(11,272)</u>          |
| Annual OPEB cost (expense)                 | 149,968                  | 151,378                  | 127,211                  |
| Annual contribution made                   | <u>(52,849)</u>          | <u>(76,817)</u>          | <u>(159,758)</u>         |
| Increase in net OPEB obligation            | 97,119                   | 74,561                   | (32,547)                 |
| Net OPEB obligation, beginning of year     | <u>277,689</u>           | <u>203,128</u>           | <u>235,675</u>           |
| Net OPEB obligation, end of year           | <u><u>\$ 374,808</u></u> | <u><u>\$ 277,689</u></u> | <u><u>\$ 203,128</u></u> |
| Percentage of annual OPEB cost contributed | 35%                      | 51%                      | 126%                     |

### Funded Status

The Plan is on a “pay-as-you-go” basis; therefore it is not funded as of December 31, 2015.

### Actuarial Assumptions

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

The December 31, 2014 actuarial valuation was compiled using the “projected unit credit” actuarial cost method. The assumptions included a 4.0% rate of return (net of administrative expenses) and an annual health-care cost trend of 7.5% initially, grading to 5% over 10 years. The amortization period of the unfunded liability is 30 years.

**Note 16 - Significant Commitments**

The City has long-term contracts for the purchase of electrical energy with the Western Area Power Administration and the Missouri Basin Municipal Power Agency. These contracts expire December 31, 2020 and January 1, 2030, respectively. According to the terms of the contracts, the City is obligated to purchase all of its electrical energy from these two sources. No minimum purchase requirements have been established in the contracts.

**Note 17 - Exposition Building**

The City participates in a joint venture, known as Exposition Building, which is a joint operation between the City 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 winter months will be for hockey and multiple uses during other times of the year. Construction was completed in 1999. Interest in the facility is as follows:

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

The City's interest in the facility as of December 31, 2015 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent. Financial information for the joint operation is available from the Hughes County Finance Officer.

The joint operations governing board is composed of four representatives, one from each participating entity. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget. Each member contributes to the annual operating budget of the Exposition Building. The City contributed \$243 during 2015. At December 31, 2015, this joint operation had total cash of \$132,903, of which the City deposits 35%, or \$46,516.

**Note 18 - Pledged Revenues**

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$869,331 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$939,078. Principal and interest paid for the current year and total customer net revenue were \$242,274 and \$941,178, respectively.

The City has, also, pledged future electric customers' revenues, net of specified operating expenses, to repay \$12,555,000 in electric fund revenue bonds issued in 2010. Proceeds from the bonds provided financing for the construction of electrical infrastructure.



The bonds are payable solely from electric customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$25,513,560. Principal and interest paid for the current year and total customer net revenue were \$1,154,278 and \$4,656,397, respectively.

The City has, also, pledged future sewer customers' revenues, net of specified operating expenses, to repay \$3,860,000 in waste water fund revenue bonds issued in 2010. The bonds were used to refinance bonds issued in 1996 and 2009. Proceeds from the refinanced bonds provided financing for the construction of sewer infrastructure.

The bonds are payable solely from waste water customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,171,983. Principal and interest paid for the current year and total customer net revenue were \$726,075 and \$1,286,799, respectively.

**Note 19 - Significant Contingencies - Litigation**

At December 31, 2015, the City was not involved in any litigation.

**Note 20 - Adoption of New Accounting Standard**

As of January 1, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension asset, deferred outflows of resources and deferred inflows of resources as follows:

|   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|---|----------------------------|-----------------------------|----------------|
| Net position at December 31, 2014, as previously stated   | \$ 45,600,265              | \$ 73,063,493               | \$ 118,663,758 |
| Net pension asset at December 31, 2014  | 2,350,291                  | 843,907                     | 3,194,198      |
| Deferred outflows of resources at December 31, 2014   | 1,733,067                  | 622,284                     | 2,355,351      |
| Deferred inflows of resources at December 31, 2014  | (2,722,034)                | (977,386)                   | (3,699,420)    |
| Deferred outflows of resources related to contributions<br>made during the six months ended December 31, 2014 | 178,869                    | 64,225                      | 243,094        |
| Net position at January 1, 2015, as restated  | \$ 47,140,458              | \$ 73,616,523               | \$ 120,756,981 |

Beginning net position for the enterprise funds was also restated as a result of implementing this accounting standard:

|  | Water<br>Fund        | Electric<br>Fund     | Waste Water<br>Fund | Airport Fund<br>Fund |
|--|----------------------|----------------------|---------------------|----------------------|
| Net position at December 31, 2014, as previously stated  | \$ 10,823,529        | \$ 20,284,158        | \$ 7,897,968        | \$ 27,412,780        |
| Net pension asset at December 31, 2014   | 164,182              | 267,674              | 128,087             | 92,312               |
| Deferred outflows of resources at December 31, 2014  | 121,065              | 197,378              | 94,450              | 68,070               |
| Deferred inflows of resources at December 31, 2014   | (190,150)            | (310,011)            | (148,347)           | (106,913)            |
| Deferred outflows of resources related to contributions made during the six months ended December 31, 2014 | <u>12,495</u>        | <u>20,371</u>        | <u>9,748</u>        | <u>7,025</u>         |
| Net position at January 1, 2015, as restated   | <u>\$ 10,931,121</u> | <u>\$ 20,459,570</u> | <u>\$ 7,981,906</u> | <u>\$ 27,473,274</u> |

|  | Garbage<br>Fund  | Landfill<br>Fund    | Total                |
|--|------------------|---------------------|----------------------|
| Net position at December 31, 2014, as previously stated  | \$ 51,951        | \$ 6,593,107        | \$ 73,063,493        |
| Net pension asset at December 31, 2014   | 17,249           | 174,403             | 843,907              |
| Deferred outflows of resources at December 31, 2014  | 12,719           | 128,602             | 622,284              |
| Deferred inflows of resources at December 31, 2014   | (19,977)         | (201,988)           | (977,386)            |
| Deferred outflows of resources related to contributions made during the six months ended December 31, 2014 | <u>1,313</u>     | <u>13,273</u>       | <u>64,225</u>        |
| Net position at January 1, 2015, as restated   | <u>\$ 63,255</u> | <u>\$ 6,707,397</u> | <u>\$ 73,616,523</u> |



Required Supplementary Information  
December 31, 2015  
**City of Pierre**

**OPEB Health Insurance Plan**

Status of Funding Progress

|                                   | Valuation Date     |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | January 1,<br>2014 | January 1,<br>2011 |
| Actuarial Accrued Liability       | \$ 1,396,307       | \$ 1,132,200       |
| Actuarial Value of Plan Assets    | -                  | -                  |
| Actuarial Accrued Liability (AAL) | 1,396,307          | 1,132,200          |
| Ratio                             | 0%                 | 0%                 |
| Payroll (Active Plan Members)     | 6,728,752          | 6,069,643          |
| Percentage of Covered Payroll     | 20.8%              | 18.7%              |

This fund has only been evaluated three times as of January 1, 2014.

City of Pierre  
 Schedule of City's Share of Net Pension Asset  
 Year Ended December 31, 2015

| <u>Pension Plan</u> | <u>Fiscal Year Ending *</u> | <u>City's Proportion of the Net Pension Asset</u> | <u>City's Proportionate Share of the Net Pension Asset (a)</u> | <u>City's Covered-Employee Payroll (b)</u> | <u>City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll (a/b)</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u> |
|---------------------|-----------------------------|---|--|--|--|---|
| SDRS                | 6/30/2015                   | <u>0.4549%</u>                                    | <u>\$ (1,929,396)</u>  | <u>\$ 7,823,304</u>                        | <u>-24.7%</u>  | <u>104.1%</u>   |

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

City of Pierre  
 Schedule of City's Pension Contributions  
 Year Ended December 31, 2015

| <u>Pension Plan</u> | <u>Year Ending</u> | <u>Statutorily Required Contribution (a)</u> | <u>Contributions in Relation to the Statutorily Required Contribution (b)</u> | <u>Contribution Deficiency (Excess) (a-b)</u> | <u>Covered-Employee Payroll (d)</u> | <u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u> |
|---------------------|--------------------|--|---|---|-------------------------------------|--|
| SDRS                | 12/31/2015         | <u>\$ 508,955</u>                            | <u>\$ 508,955</u>   | <u>\$ -</u>                                   | <u>\$ 7,942,954</u>                 | <u>6.4%</u>  |

City of Pierre  
 Budgetary Comparison Schedule—General Fund  
 Year Ended December 31, 2015

|  | Budgetary Amounts |                   | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------------------------|---|
|  | Original          | Final             |                                     |   |
| Revenues                                   |                   |                   |                                     |   |
| Taxes                                      |                   |                   |                                     |   |
| General property taxes                     | \$ 2,864,340      | \$ 2,864,340      | \$ 2,845,688                        | \$ (18,652)   |
| General sales and use taxes                | 3,920,500         | 3,920,500         | 3,701,614                           | (218,886)   |
| Penalties and interest on delinquent taxes | 1,000             | 1,000             | 7,513                               | 6,513   |
| Licenses and permits                       | 245,785           | 245,785           | 237,054                             | (8,731)   |
| Intergovernmental revenue                  |                   |                   |                                     |   |
| Federal grants                             | 790,000           | 790,000           | 414,887                             | (375,113)   |
| State grants                               | 535,000           | 620,953           | 3,031,909                           | 2,410,956   |
| State shared revenue                       | 558,600           | 558,600           | 631,582                             | 72,982  |
| County shared revenue                      | 22,000            | 22,000            | 23,244                              | 1,244   |
| Charge for goods and services              |                   |                   |                                     |   |
| General government                         | 1,520,232         | 1,520,232         | 458,366                             | (1,061,866)   |
| Public safety                              | 8,500             | 8,500             | 13,224                              | 4,724   |
| Health                                     | 8,000             | 8,000             | 15,362                              | 7,362   |
| Culture and recreation                     | 645,500           | 645,500           | 678,690                             | 33,190  |
| Cemetery                                   | 32,000            | 32,000            | 36,450                              | 4,450   |
| Fines and forfeits                         |                   |                   |                                     |   |
| Court fines and costs                      | 4,000             | 4,000             | 3,211                               | (789)   |
| Parking meter fines                        | 6,000             | 6,000             | 3,910                               | (2,090)   |
| Miscellaneous revenue                      |                   |                   |                                     |   |
| Investment earnings                        | 5,000             | 5,000             | 5,138                               | 138   |
| Rentals                                    | 17,000            | 17,000            | 22,551                              | 5,551   |
| Special assessments                        | -                 | -                 | -                                   | -   |
| Contributions from private sources         | 9,000             | 22,633            | 17,821                              | (4,812)   |
| Other                                      | 105,000           | 132,200           | 491,120                             | 358,920   |
|  | <u>11,297,457</u> | <u>11,424,243</u> | <u>12,639,334</u>                   | <u>1,215,091</u>  |
| Total revenues                             |                   |                   |                                     |   |

City of Pierre  
Budgetary Comparison Schedule—General Fund  
Year Ended December 31, 2015

|   | Budgetary Amounts   |                     | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|-------------------------------------|---|
|   | Original            | Final               |                                     |   |
| Expenditures                                |                     |                     |                                     |   |
| General government                          |                     |                     |                                     |   |
| Legislative                                 | 210,041             | 217,938             | 184,791                             | 33,147  |
| Contingency                                 | 250,000             | -                   | -                                   | 250,000   |
| Amount transferred                          |                     | 250,000             | -                                   | 250,000   |
| Elections                                   | 5,100               | 5,100               | 14                                  | 5,086   |
| Financial administration                    | 1,760,360           | 2,013,360           | 853,534                             | 1,159,826   |
| Other                                       | 1,702,111           | 1,708,711           | 1,265,495                           | 443,216   |
| Public safety                               |                     |                     |                                     |   |
| Police                                      | 2,509,385           | 2,523,961           | 2,350,726                           | 173,235   |
| Fire  | 426,284             | 449,484             | 452,912                             | (3,428)   |
| Public works                                |                     |                     |                                     |   |
| Highways and streets                        | 1,688,410           | 1,688,410           | 1,646,892                           | 41,518  |
| Cemeteries                                  | 250,316             | 250,316             | 215,709                             | 34,607  |
| Health and welfare                          |                     |                     |                                     |   |
| Health                                      | 39,400              | 60,950              | 74,829                              | (13,879)  |
| Culture and recreation                      |                     |                     |                                     |   |
| Recreation                                  | 473,167             | 487,300             | 475,728                             | 11,572  |
| Parks                                       | 2,629,091           | 2,687,541           | 2,417,493                           | 270,048   |
| Libraries                                   | 736,141             | 736,141             | 735,998                             | 143   |
| Conservation and development                |                     |                     |                                     |   |
| Economic development and assistance         | 459,254             | 465,614             | 422,109                             | 43,505  |
| Intergovernmental                           | 500,000             | 500,000             | 499,999                             | 1   |
| Total expenditures                          | <u>13,639,060</u>   | <u>14,044,826</u>   | <u>11,596,229</u>                   | <u>2,448,597</u>  |
| Excess of Revenue over (under) Expenditures | <u>(2,341,603)</u>  | <u>(2,620,583)</u>  | <u>1,043,105</u>                    | <u>3,663,688</u>  |
| Other Financing Sources (Uses)              |                     |                     |                                     |   |
| Transfers in                                | 3,498,641           | 3,524,694           | 2,617,165                           | (907,529)   |
| Sale of City property                       | 40,000              | 40,000              | 63,768                              | 23,768  |
| Transfers out                               | (1,782,538)         | (1,782,538)         | (934,627)                           | 847,911   |
| Total other financing sources (uses)        | <u>1,756,103</u>    | <u>1,782,156</u>    | <u>1,746,306</u>                    | <u>(35,850)</u>   |
| Net Change in Fund Balances                 | <u>(585,500)</u>    | <u>(838,427)</u>    | <u>2,789,411</u>                    | <u>3,627,838</u>  |
| Fund Balance - Beginning                    | <u>1,982,948</u>    | <u>1,982,948</u>    | <u>1,982,948</u>                    | <u>-</u>  |
| Fund Balance - Ending                       | <u>\$ 1,397,448</u> | <u>\$ 1,144,521</u> | <u>\$ 4,772,359</u>                 | <u>\$ 3,627,838</u>                                     |



City of Pierre  
 Budgetary Comparison Schedule—Special Sales Tax Fund  
 Year Ended December 31, 2015

|   | Budgetary Amounts   |                    | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|--------------------|-------------------------------------|---|
|   | Original            | Final              |                                     |   |
| Revenues                                    |                     |                    |                                     |   |
| Taxes                                       |                     |                    |                                     |   |
| General sales and use taxes                 | \$ 520,000          | \$ 520,000         | \$ 537,956                          | \$ 17,956   |
| Miscellaneous reveue                        |                     |                    |                                     |   |
| Investment earnings                         | 1,000               | 1,000              | 2,656                               | 1,656   |
| Total revenues                              | <u>521,000</u>      | <u>521,000</u>     | <u>540,612</u>                      | <u>19,612</u>   |
| Expenditures                                |                     |                    |                                     |   |
| Conservation and development                |                     |                    |                                     |   |
| Economic development                        | -                   | 2,753,000          | 2,756,936                           | (3,936)   |
| Debt service                                | 460,000             | 460,000            | 72,039                              | 387,961   |
| Total expenditures                          | <u>460,000</u>      | <u>3,213,000</u>   | <u>2,828,975</u>                    | <u>384,025</u>  |
| Excess of Revenue over (under) Expenditures | <u>61,000</u>       | <u>(2,692,000)</u> | <u>(2,288,363)</u>                  | <u>403,637</u>  |
| Other Financing Sources (Uses)              |                     |                    |                                     |   |
| Transfers out                               | (61,000)            | (61,000)           | (10,885)                            | 50,115  |
| Long-term debt issued                       | -                   | 1,903,000          | 2,294,301                           | 391,301   |
| Total other financing sources (uses)        | <u>(61,000)</u>     | <u>1,842,000</u>   | <u>2,283,416</u>                    | <u>441,416</u>  |
| Net Change in Fund Balances                 | -                   | (850,000)          | (4,947)                             | 845,053   |
| Fund Balance - Beginning                    | <u>1,295,521</u>    | <u>1,295,521</u>   | <u>1,295,521</u>                    | <u>-</u>  |
| Fund Balance - Ending                       | <u>\$ 1,295,521</u> | <u>\$ 445,521</u>  | <u>\$ 1,290,574</u>                 | <u>\$ 845,053</u>                                       |

**Note 1 - Budgets and Budgetary Accounting**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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 to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

**Note 2 - Budgets and Budgetary Accounting**

The City is reporting financial position, results of operations, and changes in fund balances in conformity with GAAP while the Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes and intergovernmental expenditures are eliminated for GAAP purposes but are included in budgetary basis. Also certain grants that the State of South Dakota administers on the City's behalf whereby the State pays vendors directly are excluded from these schedules as the City does not budget for those expenses as they do not pay the vendors directly in these instances.

**Note 3 - Pension Schedules**

There are no factors that affect trends in the amounts reported, such as change of benefit terms and assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the SDRS audited financial statements.



Supplementary Information  
December 31, 2015  
**City of Pierre**

City of Pierre  
Combining Balance Sheet – Nonmajor Governmental Funds  
December 31, 2015

|   | E-911<br>Fund     | Library<br>Trust Fund | Police Pistol<br>Fund | Public/Education<br>Government<br>Channel<br>Fund | Special<br>Recreation<br>Fund | Cities of Service<br>Fund | Perpetual Care<br>Fund | Storm Drainage<br>Fund | TIF<br>Fund      | Occupancy Tax<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-------------------|-----------------------|-----------------------|---|-------------------------------|---------------------------|------------------------|------------------------|------------------|-----------------------|--|
| <b>Assets</b>   |                   |                       |                       |   |                               |                           |                        |                        |                  |                       |  |
| Cash and cash equivalents   | \$ 47,704         | \$ 81,165             | \$ (999)              | \$ 130,160  | \$ 3,780                      | \$ -                      | \$ -                   | \$ 96,927              | \$ -             | \$ 319,807            | \$ 678,544                                 |
| 115 Accounts receivable, net  | -                 | -                     | -                     | 15,435  | -                             | -                         | -                      | 16,836                 | -                | -                     | 32,271                                     |
| 117 Unbilled accounts receivable                                    | -                 | -                     | -                     | -   | -                             | -                         | -                      | 21,345                 | -                | -                     | 21,345                                     |
| 132 Due from federal/state/county government                        | 217,625           | -                     | -                     | -   | -                             | -                         | -                      | 287,219                | -                | 14,142                | 518,986                                    |
| 135 Interest receivable   | -                 | -                     | -                     | -   | -                             | -                         | -                      | -                      | -                | -                     | -  |
| 141 Inventory   | -                 | -                     | -                     | -   | -                             | -                         | -                      | 89,443                 | -                | -                     | 89,443                                     |
| 107.1 Restricted cash and cash equivalents                          | -                 | -                     | -                     | -   | -                             | -                         | 54,464                 | -                      | 40,856           | -                     | 95,320                                     |
|   | <u>\$ 265,329</u> | <u>\$ 81,165</u>      | <u>\$ (999)</u>       | <u>\$ 145,595</u>                                 | <u>\$ 3,780</u>               | <u>\$ -</u>               | <u>\$ 54,464</u>       | <u>\$ 511,770</u>      | <u>\$ 40,856</u> | <u>\$ 333,949</u>     | <u>\$ 1,435,909</u>                        |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b> |                   |                       |                       |   |                               |                           |                        |                        |                  |                       |  |
| <b>Liabilities</b>  |                   |                       |                       |   |                               |                           |                        |                        |                  |                       |  |
| 202 Accounts payable  | \$ 7,618          | \$ -                  | \$ 313                | \$ 14,797   | \$ -                          | \$ -                      | \$ -                   | \$ -                   | \$ 40,856        | \$ 21,459             | \$ 85,043                                  |
| 206 Contracts payable   | -                 | -                     | -                     | -   | -                             | -                         | -                      | 21,946                 | -                | -                     | 21,946                                     |
| 223 Revenue collected in advance                                    | -                 | -                     | -                     | -   | -                             | -                         | -                      | 561                    | -                | -                     | 561  |
| Total liabilities   | <u>7,618</u>      | <u>-</u>              | <u>313</u>            | <u>14,797</u>                                     | <u>-</u>                      | <u>-</u>                  | <u>-</u>               | <u>22,507</u>          | <u>40,856</u>    | <u>21,459</u>         | <u>107,550</u>                             |
| <b>Deferred Inflows of Resources</b>                                |                   |                       |                       |   |                               |                           |                        |                        |                  |                       |  |
| 247 Unavailable revenues  | <u>85,981</u>     | <u>-</u>              | <u>-</u>              | <u>-</u>  | <u>-</u>                      | <u>-</u>                  | <u>-</u>               | <u>141,530</u>         | <u>-</u>         | <u>-</u>              | <u>227,511</u>                             |
| <b>Fund Balances</b>  |                   |                       |                       |   |                               |                           |                        |                        |                  |                       |  |
| 263 Nonspendable  | -                 | -                     | -                     | -   | -                             | -                         | -                      | 89,443                 | -                | -                     | 89,443                                     |
| 264 Restricted  | 171,730           | 81,165                | -                     | -   | -                             | -                         | 54,464                 | 258,290                | -                | -                     | 565,649                                    |
| 265 Committed   | -                 | -                     | -                     | 130,798   | 3,780                         | -                         | -                      | -                      | -                | 312,490               | 447,068                                    |
| 267 Unassigned  | -                 | -                     | (1,312)               | -   | -                             | -                         | -                      | -                      | -                | -                     | (1,312)                                    |
| Total fund balances   | <u>171,730</u>    | <u>81,165</u>         | <u>(1,312)</u>        | <u>130,798</u>                                    | <u>3,780</u>                  | <u>-</u>                  | <u>54,464</u>          | <u>347,733</u>         | <u>-</u>         | <u>312,490</u>        | <u>1,100,848</u>                           |
|   | <u>\$ 265,329</u> | <u>\$ 81,165</u>      | <u>\$ (999)</u>       | <u>\$ 145,595</u>                                 | <u>\$ 3,780</u>               | <u>\$ -</u>               | <u>\$ 54,464</u>       | <u>\$ 511,770</u>      | <u>\$ 40,856</u> | <u>\$ 333,949</u>     | <u>\$ 1,435,909</u>                        |

City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended December 31, 2015

|  | E-911<br>Fund | Library<br>Trust Fund | Police Pistol<br>Fund | Public/Education<br>Government<br>Channel<br>Fund | Special<br>Recreation<br>Fund | Cities of Service<br>Fund | Perpetual Care<br>Fund | Storm Drainage<br>Fund | TIF<br>Fund | Occupancy Tax<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------|-----------------------|-----------------------|---|-------------------------------|---------------------------|------------------------|------------------------|-------------|-----------------------|--|
| Revenues   |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 310 Taxes:   |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 311 General property taxes                           | \$ -          | \$ -                  | \$ -                  | \$ -  | \$ -                          | \$ -                      | \$ -                   | \$ -                   | \$ 251,312  | \$ -                  | \$ 251,312                                 |
| 313 General sales and use taxes                      | -             | -                     | -                     | -   | -                             | -                         | -                      | -                      | -           | 264,693               | 264,693                                    |
| 316 911 Telephone surcharge                          | 239,522       | -                     | -                     | -   | -                             | -                         | -                      | -                      | -           | -                     | 239,522                                    |
| 319 Penalties and interest on delinquent taxes       | -             | -                     | -                     | -   | -                             | -                         | -                      | -                      | 336         | -                     | 336  |
| 330 Intergovernmental revenue:                       |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 331 Federal grants                                   | -             | -                     | -                     | -   | -                             | -                         | -                      | 128,550                | -           | -                     | 128,550                                    |
| 334 State grants                                     | -             | -                     | -                     | -   | -                             | -                         | -                      | 17,140                 | -           | -                     | 17,140                                     |
| 338 County shared revenue                            |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 338.99 Other   | -             | -                     | -                     | 152,002   | -                             | -                         | -                      | -                      | -           | -                     | 152,002                                    |
| 340 Charges for goods and services:                  |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 341 General government                               | -             | -                     | -                     | 25,058  | -                             | -                         | -                      | -                      | -           | -                     | 25,058                                     |
| 342 Public safety                                    | 628,921       | -                     | -                     | -   | -                             | -                         | -                      | -                      | -           | -                     | 628,921                                    |
| 343 Highways and streets                             | -             | -                     | -                     | -   | -                             | -                         | -                      | 332,178                | -           | -                     | 332,178                                    |
| 346 Culture and recreation                           | -             | 6,471                 | -                     | -   | -                             | -                         | -                      | -                      | -           | -                     | 6,471                                      |
| 350 Fines and forfeits:                              |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 354 Library  | -             | 2,226                 | -                     | -   | -                             | -                         | -                      | -                      | -           | -                     | 2,226                                      |
| 360 Miscellaneous revenue:                           |               |                       |                       |   |                               |                           |                        |                        |             |                       |  |
| 361 Investment earnings                              | 250           | 126                   | -                     | 291   | -                             | -                         | -                      | 582                    | -           | 590                   | 1,839                                      |
| 367 Contributions and donations from private sources | -             | 4,047                 | -                     | -   | -                             | -                         | -                      | -                      | -           | -                     | 4,047                                      |
| 369 Other  | 1,180         | -                     | -                     | -   | -                             | -                         | -                      | 650                    | -           | -                     | 1,830                                      |
| Total revenues                                       | 869,873       | 12,870                | -                     | 177,351   | -                             | -                         | -                      | 479,100                | 251,648     | 265,283               | 2,056,125                                  |

City of Pierre

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended December 31, 2015

|   | E-911<br>Fund     | Library<br>Trust Fund | Police Pistol<br>Fund | Public/Education<br>Government<br>Channel<br>Fund | Special<br>Recreation<br>Fund | Cities of Service<br>Fund | Perpetual Care<br>Fund | Storm Drainage<br>Fund | TIF<br>Fund    | Occupancy Tax<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-------------------|-----------------------|-----------------------|---|-------------------------------|---------------------------|------------------------|------------------------|----------------|-----------------------|--|
| <b>Expenditures</b>   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 410 General government:   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 419 Other   | -                 | -                     | -                     | 130,669   | -                             | -                         | -                      | -                      | -              | -                     | 130,669                                    |
| 420 Public safety:  |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 421 Police  | 981,946           | -                     | 5,139                 | -   | -                             | -                         | -                      | -                      | -              | -                     | 987,085                                    |
| 430 Public works:   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 431 Highways and streets  | -                 | -                     | -                     | -   | -                             | -                         | -                      | 8,263                  | -              | -                     | 8,263                                      |
| 440 Health and welfare:   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 441 Health  | 5,727             | -                     | -                     | -   | -                             | -                         | -                      | -                      | -              | -                     | 5,727                                      |
| 450 Culture and recreation:   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 455 Libraries   | -                 | 4,452                 | -                     | -   | -                             | -                         | -                      | -                      | -              | -                     | 4,452                                      |
| 460 Conservation and development:                                   |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 465 Economic development and assistance<br>(industrial development) | -                 | -                     | -                     | -   | -                             | -                         | -                      | -                      | -              | 69,887                | 69,887                                     |
| 470 Debt service  | -                 | -                     | -                     | -   | -                             | -                         | -                      | -                      | 251,648        | -                     | 251,648                                    |
| 485 Capital outlay  | -                 | -                     | -                     | 11,760  | -                             | -                         | -                      | 612,155                | -              | -                     | 623,915                                    |
| Total expenditures  | <u>987,673</u>    | <u>4,452</u>          | <u>5,139</u>          | <u>142,429</u>                                    | <u>-</u>                      | <u>-</u>                  | <u>-</u>               | <u>620,418</u>         | <u>251,648</u> | <u>69,887</u>         | <u>2,081,646</u>                           |
| Excess of revenue over (under) expenditures                         | <u>(117,800)</u>  | <u>8,418</u>          | <u>(5,139)</u>        | <u>34,922</u>                                     | <u>-</u>                      | <u>-</u>                  | <u>-</u>               | <u>(141,318)</u>       | <u>-</u>       | <u>195,396</u>        | <u>(25,521)</u>                            |
| <b>Other Financing Sources (Uses)</b>                               |                   |                       |                       |   |                               |                           |                        |                        |                |                       |  |
| 391.01 Transfers in   | 178,825           | -                     | -                     | -   | -                             | -                         | -                      | 112,796                | -              | -                     | 291,621                                    |
| 511 Transfers out   | -                 | -                     | -                     | -   | -                             | -                         | -                      | (9,087)                | -              | -                     | (9,087)                                    |
| Total other financing sources (uses)                                | <u>178,825</u>    | <u>-</u>              | <u>-</u>              | <u>-</u>  | <u>-</u>                      | <u>-</u>                  | <u>-</u>               | <u>103,709</u>         | <u>-</u>       | <u>-</u>              | <u>282,534</u>                             |
| Net Change in Fund Balances   | 61,025            | 8,418                 | (5,139)               | 34,922  | -                             | -                         | -                      | (37,609)               | -              | 195,396               | 257,013                                    |
| Fund Balance - Beginning  | 110,705           | 72,747                | 3,827                 | 95,876  | 3,780                         | -                         | 54,464                 | 385,342                | -              | 117,094               | 843,835                                    |
| Fund Balance - Ending   | <u>\$ 171,730</u> | <u>\$ 81,165</u>      | <u>\$ (1,312)</u>     | <u>\$ 130,798</u>                                 | <u>\$ 3,780</u>               | <u>\$ -</u>               | <u>\$ 54,464</u>       | <u>\$ 347,733</u>      | <u>\$ -</u>    | <u>\$ 312,490</u>     | <u>\$ 1,100,848</u>                        |

City of Pierre  
Combining Balance Sheet – Nonmajor Enterprise Funds  
December 31, 2015

|   | Enterprise Funds |                     |  |
|---|------------------|---------------------|--|
|   | Garbage<br>Fund  | Landfill<br>Fund    | Total<br>Nonmajor<br>Enterprise<br>Funds |
| <b>Assets</b>   |                  |                     |  |
| <b>Current Assets</b>                                   |                  |                     |  |
| Cash and cash equivalents                               | \$ -             | \$ 688,562          | \$ 688,562                               |
| 115 Accounts receivable, net                            | -                | 143,416             | 143,416                                  |
| Unbilled accounts receivable                            | -                | 4,967               | 4,967                                    |
| Due from other governments                              | 30               | 3,649               | 3,679                                    |
| Inventory of supplies                                   | -                | 209,080             | 209,080                                  |
| Inventory of stores purchased for resale                | 5,343            | -                   | 5,343                                    |
| Total current assets                                    | <u>5,373</u>     | <u>1,049,674</u>    | <u>1,055,047</u>                         |
| <b>Noncurrent Assets</b>                                |                  |                     |  |
| Restricted cash and cash equivalents                    | -                | 452,768             | 452,768                                  |
| Net pension asset                                       | 10,419           | 105,345             | 115,764                                  |
| <b>Capital assets:</b>                                  |                  |                     |  |
| 160 Land  | -                | 3,986,551           | 3,986,551                                |
| 162 Buildings and infrastructure                        | -                | 2,981,826           | 2,981,826                                |
| 164 Improvements other than buildings                   | -                | 264,926             | 264,926                                  |
| 166 Machinery and equipment                             | 123,940          | 2,556,070           | 2,680,010                                |
| 168 Construction work in progress                       | -                | -                   | -  |
| Less accumulated depreciation                           | <u>(79,058)</u>  | <u>(2,739,933)</u>  | <u>(2,818,991)</u>                       |
| Total noncurrent assets                                 | <u>55,301</u>    | <u>7,607,553</u>    | <u>7,662,854</u>                         |
| <b>Deferred Outflows of Resources</b>                   |                  |                     |  |
| Pension related deferred outflows                       | <u>18,180</u>    | <u>182,954</u>      | <u>201,134</u>                           |
|   | <u>\$ 78,854</u> | <u>\$ 8,840,181</u> | <u>\$ 8,919,035</u>                      |
| <b>Liabilities</b>                                      |                  |                     |  |
| <b>Current Liabilities</b>                              |                  |                     |  |
| 202 Accounts payable                                    | \$ 305           | \$ 73,025           | \$ 73,330                                |
| Due to other funds                                      | 2,629            | -                   | 2,629                                    |
| Revenue collected in advance                            | -                | 207                 | 207                                      |
| Total current liabilities                               | <u>2,934</u>     | <u>73,232</u>       | <u>76,166</u>                            |
| <b>Noncurrent Liabilities</b>                           |                  |                     |  |
| 233 Accrued leave payable                               | 19,218           | 82,734              | 101,952                                  |
| 235 Accrued Landfill Closure and Postclosure Care Costs | <u>-</u>         | <u>588,839</u>      | <u>588,839</u>                           |
| Total noncurrent liabilities                            | <u>19,218</u>    | <u>671,573</u>      | <u>690,791</u>                           |
| <b>Deferred Inflows of Resources</b>                    |                  |                     |  |
| 248 Pension related deferred inflows                    | <u>15,575</u>    | <u>157,478</u>      | <u>173,053</u>                           |
| Total deferred inflows of resources                     | <u>15,575</u>    | <u>157,478</u>      | <u>173,053</u>                           |
| <b>Net Position</b>                                     |                  |                     |  |
| 253.10 Net investment in capital assets                 | 44,882           | 7,049,440           | 7,094,322                                |
| <b>253.20 Restricted for:</b>                           |                  |                     |  |
| 253.29 SDRS pension purposes                            | 13,024           | 130,821             | 143,845                                  |
| 253.90 Unrestricted net position                        | <u>(16,779)</u>  | <u>757,637</u>      | <u>740,858</u>                           |
| Total net position                                      | <u>41,127</u>    | <u>7,937,898</u>    | <u>7,979,025</u>                         |
|   | <u>\$ 78,854</u> | <u>\$ 8,840,181</u> | <u>\$ 8,919,035</u>                      |

City of Pierre

Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds  
Year Ended December 31, 2015

|  | Enterprise Funds |                     | Total<br>Nonmajor<br>Enterprise<br>Funds |
|--|------------------|---------------------|--|
|  | Garbage<br>Fund  | Landfill<br>Fund    |  |
| Operating Revenue                              |                  |                     |  |
| 380 Charges for goods and services             | \$ 75,511        | \$ 1,370,077        | \$ 1,445,588                             |
| 369 Miscellaneous                              | -                | 76                  | 76                                       |
| Total operating revenue                        | <u>75,511</u>    | <u>1,370,153</u>    | <u>1,445,664</u>                         |
| Operating Expenses                             |                  |                     |  |
| 410 Personal services                          | 63,633           | 597,530             | 661,163                                  |
| 420 Other current expenses                     | 49,132           | 390,954             | 440,086                                  |
| 426.2 Materials (Cost of goods sold)           | 9,796            | 119,295             | 129,091                                  |
| 457 Depreciation                               | 12,394           | 280,283             | 292,677                                  |
| Total operating expenses                       | <u>134,955</u>   | <u>1,388,062</u>    | <u>1,523,017</u>                         |
| Operating Loss                                 | <u>(59,444)</u>  | <u>(17,909)</u>     | <u>(77,353)</u>                          |
| Nonoperating Revenue                           |                  |                     |  |
| 330 Capital grants                             | 5,641            | 78,895              | 84,536                                   |
| 361 Investment earnings                        | -                | 5,875               | 5,875                                    |
| 362 Rental revenue                             | -                | 1,757               | 1,757                                    |
| 366 Gain on disposition of assets              | -                | 52,943              | 52,943                                   |
| 369.01 Insurance proceeds                      | -                | 44,096              | 44,096                                   |
| Total nonoperating revenue                     | <u>5,641</u>     | <u>183,566</u>      | <u>189,207</u>                           |
| Net Position Before Transfers                  | (53,803)         | 165,657             | 111,854                                  |
| 391.1 Transfers in                             | 31,675           | 1,509,366           | 1,541,041                                |
| 511 Transfers out                              | -                | (444,522)           | (444,522)                                |
| Change in Net Position                         | (22,128)         | 1,230,501           | 1,208,373                                |
| Net Position - Beginning, as Previously Stated | 51,951           | 6,593,107           | 6,645,058                                |
| Adjustment:                                    |                  |                     |  |
| GASB 68 prior period adjustment (Note 20)      | 11,304           | 114,290             | 125,594                                  |
| Net Position - Beginning as restated           | <u>63,255</u>    | <u>6,707,397</u>    | <u>6,770,652</u>                         |
| Net Position - Ending                          | <u>\$ 41,127</u> | <u>\$ 7,937,898</u> | <u>\$ 7,979,025</u>                      |



City of Pierre  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds  
Year Ended December 31, 2015

|   | Enterprise Funds   |                    |  |
|---|--------------------|--------------------|--|
|   | Garbage<br>Fund    | Landfill<br>Fund   | Total<br>Nonmajor<br>Enterprise<br>Funds |
| Cash Flows from Operating Activities  |                    |                    |  |
| Receipt from customers  | \$ 75,481          | \$ 1,322,844       | \$ 1,398,325                             |
| Payments to suppliers   | (55,382)           | (533,425)          | (588,807)                                |
| Payments to employees   | (62,930)           | (613,992)          | (676,922)                                |
| Net Cash from (used for) Operating Activities                                     | <u>(42,831)</u>    | <u>175,427</u>     | <u>132,596</u>                           |
| Cash Flows from Noncapital Financing Activities                                   |                    |                    |  |
| Due from other funds  | 2,629              | -                  | 2,629                                    |
| Transfers from other funds  | 31,675             | 1,064,844          | 1,096,519                                |
| Net Cash from Noncapital Financing Activities                                     | <u>34,304</u>      | <u>1,064,844</u>   | <u>1,099,148</u>                         |
| Cash Flows used for Capital and Related Financing Activities                      |                    |                    |  |
| Capital grants  | 5,641              | 78,895             | 84,536                                   |
| Other receipts  | -                  | 45,853             | 45,853                                   |
| Proceeds from sale of capital assets  | -                  | 112,795            | 112,795                                  |
| Purchase of capital assets  | -                  | (1,698,217)        | (1,698,217)                              |
| Net Cash from (used for) Capital and Related Financing Activities                 | <u>5,641</u>       | <u>(1,460,674)</u> | <u>(1,455,033)</u>                       |
| Cash Flows from Investing Activities  |                    |                    |  |
| Cash invested in reserve account  | -                  | 165,572            | 165,572                                  |
| Cash received for interest  | -                  | 5,875              | 5,875                                    |
| Net Cash from Investing Activities  | <u>-</u>           | <u>171,447</u>     | <u>171,447</u>                           |
| Net Change in Cash and Cash Equivalents   | (2,886)            | (48,956)           | (51,842)                                 |
| Balance - Beginning   | <u>2,886</u>       | <u>737,518</u>     | <u>740,404</u>                           |
| Balance - Ending  | <u>\$ -</u>        | <u>\$ 688,562</u>  | <u>\$ 688,562</u>                        |
| Reconciliation of Operating Loss to<br>Net Cash used for Operating Activities:    |                    |                    |  |
| Operating loss  | \$ (59,444)        | \$ (17,909)        | \$ (77,353)                              |
| Adjustments to reconcile operating loss to<br>net cash from operating activities: |                    |                    |  |
| Depreciation expense  | 12,394             | 280,283            | 292,677                                  |
| Changes in assets and liabilities:  |                    |                    |  |
| Receivables   | (30)               | (47,309)           | (47,339)                                 |
| Inventories   | 4,957              | (87,481)           | (82,524)                                 |
| Accounts and other payables   | (1,411)            | 40,691             | 39,280                                   |
| Closure/Postclosure liability   | -                  | 23,614             | 23,614                                   |
| Accrued leave payable   | 2,423              | 70                 | 2,493                                    |
| Pension related deferred inflows, outflows and pension asset                      | (1,720)            | (16,532)           | (18,252)                                 |
| Net Cash from (used for) Operating Activities                                     | <u>\$ (42,831)</u> | <u>\$ 175,427</u>  | <u>\$ 132,596</u>                        |
| Noncash Investing, Capital and Financing Activities:                              |                    |                    |  |
| Gain on disposal of capital assets not affecting operating income                 | \$ -               | \$ 52,943          | \$ 52,943                                |

City of Pierre  
Statement of Cash Flows – Discretely Presented Component Unit  
Year Ended June 30, 2015

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|  | <u>Housing and<br/>Redevelopment<br/>Commission</u> |
|--|---|
| Operating Activities                                       |   |
| Receipts from tenant payments                              | \$ 138,110  |
| Payments to tenants through escrow                         | (303)   |
| Payments to employees                                      | (179,871)   |
| Payments to others for goods and services                  | (203,557)   |
| Housing assistance payments                                | <u>(553,576)</u>                                    |
| Net Cash used for Operating Activities                     | <u>(799,197)</u>                                    |
| Noncapital Financing Activities                            |   |
| Operating grants received                                  | 770,398   |
| Other revenue received                                     | <u>2,524</u>  |
| Net Cash from Noncapital Financing Activities              | <u>772,922</u>                                      |
| Capital and Related Financing Activities                   |   |
| Capital grants received                                    | 47,233  |
| Acquisition of capital assets                              | <u>(61,477)</u>                                     |
| Net Cash used for Capital and Related Financing Activities | <u>(14,244)</u>                                     |
| Investing Activities                                       |   |
| Interest received  | <u>1,532</u>  |
| Net Cash from Investing Activities                         | <u>1,532</u>  |
| Net Change in Cash and Cash Equivalents                    | (38,987)  |
| Cash and Cash Equivalents Beginning of Year                | <u>581,729</u>                                      |
| Cash and Cash Equivalents End of Year                      | <u><u>\$ 542,742</u></u>                            |

City of Pierre  
Statement of Cash Flows – Discretely Presented Component Unit  
Year Ended June 30, 2015

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|  | <u>Housing and<br/>Redevelopment<br/>Commission</u> |
|--|---|
| Reconciliation of Operating Loss to        |   |
| Net Cash used for Operating Activities:    |   |
| Operating loss                             | \$ (873,499)  |
| Adjustments to reconcile operating loss to |   |
| net cash used for operating activities:    |   |
| Depreciation                               | 82,462  |
| Change in assets and liabilities:          |   |
| Accounts receivable - tenants              | 2   |
| Accounts receivable - fraud                | 61  |
| Prepaid expenses                           | 3,778   |
| Inventories                                | (476)   |
| Pension related assets                     | (9,728)   |
| Accounts payable                           | (1,865)   |
| Accrued expenses                           | 1,788   |
| Accrued compensated absences               | 161   |
| Prepaid rents                              | (1,578)   |
| Tenant security deposits                   | (303)   |
|  | <u>                    </u>                         |
| Net Cash used for Operating Activities     | <u>\$ (799,197)</u>                                 |

City of Pierre  
Schedule of Expenditures of Passenger Facility Charges  
Year Ended December 31, 2015

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|   | Net<br>Collected |
|---|------------------|
| First Quarter, 2015                       | \$ 6,075         |
| Second Quarter, 2015                      | 9,025            |
| Third Quarter, 2015                       | 7,941            |
| Fourth Quarter, 2015                      | 5,758            |
| <br>Total PFC Collections for 2015        | <br>28,799       |
| Total PFC Collections for 2014            | 38,605           |
| Total PFC Collections for 2013            | 59,251           |
| Total PFC Collections for 2012            | 50,094           |
| Total PFC Collections for 2011            | 64,728           |
| Total PFC Collections for 2010            | 59,124           |
| Total PFC Collections for 2009            | 43,809           |
| Total PFC Collections for 2008            | 53,314           |
| Total PFC Collections for 2007            | 46,383           |
| Total PFC Collections for 2006            | 57,317           |
| Total PFC Collections for 2005            | 67,975           |
| Total PFC Collections for 2004            | 72,726           |
| Total PFC Collections for 2003            | 51,697           |
| <br>Total PFC Collections for 2003 - 2015 | <br>\$ 693,822   |
| Total Allowable PFC                       | \$ 788,346       |
| Net Collections to Date                   | (693,822)        |
| <br>Remaining Amount to Collect           | <br>\$ 94,524    |



**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***

The City Commission  
City of Pierre  
Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pierre (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Pierre's basic financial statements, and have issued our report thereon dated September 19, 2016. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Commission of the City of Pierre, as described in our report on City of Pierre's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-A, 2015-B, and 2015-C to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-D and 2015-E to be significant deficiencies.

### **Compliance and Other Matters**

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

### **City of Pierre's Responses to Findings**

City of Pierre's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota  
September 19, 2016



## **Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

The City Commission  
City of Pierre  
Pierre, South Dakota

### **Report on Compliance for the Major Federal Program**

We have audited the City of Pierre's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Pierre's basic financial statements include the operations of the Housing and Redevelopment Commission of the City of Pierre, a discretely presented component unit, which received \$825,075 in federal awards during the year ended June 30, 2015 which is not included in the City of Pierre's schedule of federal expenditures for the year ended December 31, 2015. Our audit, described below, did not include the operations of the Housing and Redevelopment Commission of the City of Pierre because the Commission engaged other auditors to perform an audit in accordance with the Uniform Guidance.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2015.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other 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.



Aberdeen, South Dakota  
September 19, 2016



City of Pierre  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2015

| Federal Grantor/Pass-Through Grantor Program Title  | CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Expenditures        |
|---|----------------|--|---------------------|
| Department of Homeland Security   |                |  |                     |
| Indirect Federal Funding:   |                |  |                     |
| SD Department of Public Safety Office of Emergency Management<br>Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters) | 97.036         | *****  | \$ 1,080,811        |
| SD Department of Public Safety Office of Emergency<br>Homeland Security Grant Program   | 97.067         | *****  | <u>1,731</u>        |
| Total Department of Homeland Security   |                |  | <u>1,082,542</u>    |
| Department of Transportation  |                |  |                     |
| Direct Federal Funding:   |                |  |                     |
| Airport Improvement Program (3-46-0044-34, 35)  | 20.106         | N/A  | <u>827,582</u>      |
| Indirect Federal Funding:   |                |  |                     |
| SD Department of Game Fish and Parks<br>Recreational Trials Program   | 20.219         | *****  | 200,000             |
| Indirect Federal Funding:   |                |  |                     |
| Highway Safety Cluster<br>SD Department of Public Safety<br>State and Community Highway Safety  | 20.600         | *****  | <u>20,471</u>       |
| Total Department of Transportation  |                |  | <u>1,048,053</u>    |
| Department of the Interior  |                |  |                     |
| Direct Federal Funding:   |                |  |                     |
| Historic Preservation Fund Grants-In-Aid  | 15.904         | N/A  | <u>5,262</u>        |
| General Services Administration   |                |  |                     |
| Indirect Federal Funding:   |                |  |                     |
| SD Federal Property Agency:<br>Donation of Federal Surplus Personal Property (Note 2)   | 39.003         | *****  | <u>10,960</u>       |
| Total Expenditures of Federal Awards  |                |  | <u>\$ 2,146,817</u> |

\*\*\*\*\* "No" Pass-Through Entity Identifying Number Given

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pierre, and is presented on the modified accrual (government funds) / full accrual (proprietary funds) basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. City of Pierre received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient, if any, is treated as an expenditure when it is paid to the subrecipient. During the year ended December 31, 2015, there were no amounts passed through to subrecipients.

**Note B – Significant Accounting Policies**

Both governmental fund types and proprietary fund types account for the City of Pierre’s federal grant activity. For governmental fund types, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. For proprietary fund types, expenditures in the schedule of expenditures of federal awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Pierre’s summary of significant accounting policies is presented in Note 1 in the City of Pierre’s basic financial statements.

The City of Pierre has not elected to use the 10% de minimis cost rate.

**Note C – Federal Surplus Property**

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City of Pierre.

**Note D – SD Department of Public Safety Office of Emergency Management Disaster Grants – Public Assistance (Presidentially Declared Disasters) – CFDA 97.036**

In accordance with the compliance supplement, eligible expenditures that have been incurred and approved by FEMA are recorded as federal expenditures on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2015. The amount of federal expenditures included on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2015 that were incurred in a prior year was \$251,969.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

|  |            |
|--|------------|
| Type of auditor's report issued  | Unmodified |
| Internal control over financial reporting:                                   |            |
| Material weaknesses identified   | Yes        |
| Significant deficiencies identified not considered to be material weaknesses | Yes        |
| Noncompliance material to financial statements noted?                        | No         |

**FEDERAL AWARDS**

|  |            |
|--|------------|
| Internal control over major programs:  |            |
| Material weakness(es) identified?  | No         |
| Significant deficiencies identified not considered to be material weaknesses                                     | Yes        |
| Type of auditor's report issued on compliance for major programs   | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | Yes        |

**Identification of major programs:**

| <u>Name of Federal Program</u>   | <u>CFDA Number</u> |
|--|--------------------|
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)  | 97.036             |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000         |
| Auditee qualified as low-risk auditee?                                   | No                 |

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**Section II – Financial Statement Findings**

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**2015-A - Preparation of Financial Statements, Related Footnotes, and the Schedule of Expenditures of Federal Awards**

**Material Weakness**

*Criteria:* An organization's internal control structure should be designed to provide for the preparation of complete and accurate financial statements and footnotes in accordance with generally accepted accounting principles.

*Condition:* During the course of the audit engagement, the City of Pierre requested assistance from the auditors to draft the financial statements, the accompanying notes to those financial statements and a final schedule of expenditures of federal awards.

*Cause:* The City of Pierre does not have an internal control system designed to provide for the correct and complete preparation of the financial statements including required footnotes, disclosures and the schedule of expenditures of federal awards.

*Effect:* The preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel.

*Recommendation:* This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials:* Management agrees with the finding.

**2015-B - Material Audit Adjustments (Including Restatement of Beginning Net Position in Accordance with GASB 68)**

**Material Weakness**

*Condition:* During the course of our engagement, we proposed material audit adjustments to the City's recorded account balances, including a restatement of beginning net position, which if not recorded, would have resulted in a material misstatement of the City's financial statements.

*Criteria:* A system of internal accounting control contemplates accurate recording and presentation of amounts and disclosures in the financial statements being audited, in accordance with generally accepted accounting principles.

*Cause:* The City does not have an adequate internal accounting control system to identify all relevant and material adjustments necessary to ensure that financial statements are in accordance with generally accepted accounting principles.

*Effect:* The lack of internal accounting control could result in the City's interim financial information being materially misstated.

*Recommendation:* We recommend training specific to governmental accounting principles so that staff is able to ensure financial statements are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

*Views of Responsible Officials:* Management agrees with the finding.

## 2015-C – Lack of Segregation of Duties

### Material Weakness

*Condition:* City of Pierre has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in recording, reviewing and approving journal entries. This condition also includes not having an individual outside of the accounting personnel reviewing the bank statements and cancelled checks as well as not having someone outside of human resources submitting payroll reports prior to review by finance office.

*Criteria:* A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion without proper review or approval from another individual.

*Cause:* The City has insufficient number of staff to adequately separate duties. It was also noted that for some journal entries tested that there was only one individual performing these adjusting journal entries without review from another individual, lack of review of bank statements and cancelled checks from an individual outside of the finance office and a lack of review of payroll reports from an individual outside of the human resources department prior to submission to the bank.

*Effect:* This condition, including the lack of a review and approval process for recorded journal entries, lack of outside review of bank statements and cancelled checks, and lack of review of payroll reports, increases the risk that fraud or errors might occur in the financial reporting process.

*Recommendation:* We recommend that an individual outside of the person recording adjusting journal entries, review these items to ensure proper recording and detection of any errors or fraudulent activity; a person outside of the finance office and accounts payable function reviews the bank statements and cancelled checks; and a finance office employee independent of the payroll process and without the ability to make changes in the payroll system review payroll information before submitting these items for processing.

*Views of Responsible Officials:* Management agrees with the finding.

**2015-D - Compliance with South Dakota Codified Law (SDCL)**

**Significant Deficiency**

*Condition:* During the course of performing our audit, it was noted that for certain items tested, the City of Pierre was not in compliance with certain SDCL sections relating to (a) making a report of all outstanding checks over one year old by November 1<sup>st</sup>, (b) publishing the annual financial report, and (c) obtaining two-thirds vote of the governing body when performing transfers between funds.

*Criteria:* The respective SDCL sections related to the topics mentioned in the condition paragraph are: (a) SDCL 43-41b-14, 18 related to reporting of old outstanding checks, (b) SDCL 9-22-21 requires the municipality to publish financial report in the official newspaper within thirty days of being presented to the board or the completion of the annual audits, and (c) SDCL 9-21-26.1 requires the municipality to obtain two-thirds vote of the governing body when transferring surplus money of one fund to another.

*Cause:* Management did not exercise sufficient oversight with respect to ensuring compliance with applicable SDCL provisions.

*Effect:* Non-compliance with the aforementioned SDCL provisions could result in unauthorized spending and insufficient reporting to constituents.

*Recommendation:* We recommend the City obtain a copy of the statutory checklist from the SD Department of Legislative Audit and review the SDCL provisions items applicable to municipalities to ensure future compliance.

*Views of Responsible Officials:* Management agrees with the findings.

## 2015-E – Information Technology Controls

### Significant Deficiency

*Condition:* An organization’s internal control structure in regards to information technology should provide for the safeguarding of financial statement information and test and review the vulnerability of the information technology system, restrict and review authorized access to financial information software to proper authorized users, and perform annual reviews of this access.

*Criteria:* In performing an annual information technology assessment, it was discovered that there are certain missing controls that could pose a potential threat to safeguarding financial statement information and the access to the financial statement information through the accounting software.

*Cause:* The City has not formalized certain IT controls and processes to best protect City information.

*Effect:* These missing controls could cause the City to be vulnerable to outside penetration to the system as well as make the City vulnerable to unauthorized access and use to the accounting systems software. This may result in misstatements and improper recording of financial information systems within the financial statements.

*Recommendation:* In an effort to further strengthen technology controls, we recommend that the City consider:

- Scheduling independent external penetration / internal vulnerability testing over network resources.
- Revising the account lockout parameters in accordance with a best practice standard, as is feasible based on risk in relation to added maintenance efforts required by IT personnel for unlocking accounts.
- Formalizing procedures to ensure requests for additions, changes, or deletions to information systems are documented and authorized.
- Managers that authorized user access should annually review the access assigned for their employees, and verify such access permitted through information systems matches the employee job role. In addition, privileged account access assigned to IT personnel (whether through System Admin or user account level permission) should be logged and monitored by management to ensure activity changes in the audit log and or user permissions match that authorized by management.

*Views of Responsible Officials:* Management agrees with the finding.



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**Section III – Federal Award Findings and Questioned Costs**

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**2015-001**

**Department of Homeland Security**

**Indirect Federal Funding**

**Passed Through South Dakota Department of Public Safety Office of Emergency Management  
Disaster Grants – Public Assistance (Presidentially Declared Disasters) – CFDA #97.036**

**Compliance Requirements - Allowable Costs and Special Tests and Provisions**

**Significant Deficiency in Internal Control over Compliance**

*Criteria:* A strong system of internal control over the allowable costs and special tests and provisions for a federal program should include a monitoring control to ensure that costs reported for reimbursement on PW's (Project Worksheets) under the federal program agree to supporting documentation for the incurred cost before it is submitted to the federal agency.

*Condition:* The City lacks an internal monitoring control of the information prepared on a PW by City staff, or the information provided to a FEMA project specialist to put on a PW to ensure the costs and rates are correct and accurate, agreeing to supporting documentation that ultimately are approved and paid off of those PW's.

*Cause:* Current policies and procedures over this program have do not include an element of internal monitoring control, in part due to the State's and FEMA's assistance in reviewing and preparing PW's.

*Effect:* Lack of monitoring controls at the City level could lead to incorrect claim amounts being submitted on the PW's to FEMA for payment and result in overages or shortages being reconciled at PW closeout.

*Questioned Costs:* None reported.

*Context/Sampling:* A nonstatistical sample of 60 transactions transactions was selected for testing, which accounted for \$659,503 of \$1,080,811 of federal program expenditures.

*Repeat Finding from Prior Year(s):* Yes, prior year finding 2014-001.

*Recommendation:* We recommend that the City of Pierre implement controls at the City level to review claimed costs on PW's prepared by City staff, or review of information provided to FEMA project specialists as a monitoring control to ensure the costs claimed on PW's are accurate and properly supported, and the information provided to FEMA to prepare a PW is accurate.

*Views of Responsible Officials:* Management agrees with the finding.

## Financial Statement Findings

### **2014-A - Preparation of Financial Statements, Related Footnotes, and the Schedule of Expenditures of Federal Awards**

*Initial Fiscal Year Finding Occurred:* 2012

*Finding Summary:* The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures, including all necessary material audit adjustments to the City's financial statements as well as properly identifying major funds within the financial statements. During the course of our engagement, we were requested to draft the financial statements and accompanying notes to those financial statements and we proposed material audit adjustments to the City's recorded account balances and the classification of major funds.

*Status:* This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the City's current staffing model does not allow for a cost effective solution. Planned actions include management to annually review the draft financial statements, footnotes and schedule of expenditures of federal awards prepared by the auditor and to review all recommended adjusting entries proposed by the auditor.

### **2014-B – Material Audit Adjustments (Including Correction of Errors)**

*Initial Fiscal Year Finding Occurred:* 2012

*Finding Summary:* Proposed material audit adjustments were made to the City's recorded account balances, which if not recorded, would have resulted in a material misstatement of the City's financial statements.

*Status:* This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the City's current staffing model has not yet allowed for a cost effective solution. Planned actions include management to annually review the draft financial statements, footnotes and schedule of expenditures of federal awards prepared by the auditor and to review all recommended adjusting entries proposed by the auditor. In addition, the finance department will review adjusting entries made in previous audits to identify areas where adjustments can be made prior to the start of the audit in future years.

### **2014-C – Lack of Segregation of Duties**

*Initial Fiscal Year Finding Occurred:* 2012

*Finding Summary:* The City has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in recording, reviewing and approving year-end journal entries. We also noted that an individual outside of the accounting personnel should be reviewing the bank statements and cancelled checks as well as having someone outside of human resources submitting payroll reports prior to review by finance office.

*Status:* This funding has not been resolved as of December 31, 2015. The City has implemented additional controls as of the report date to include secondary review of all journal entries and review of bank statements and cancelled checks by someone outside of the accounting personnel. The City continues to review internal controls to ensure that payroll reports are reviewed prior to submission of payment.

### **2014-D – Compliance with South Dakota Codified Law (SDCL)**

*Initial Fiscal Year Finding Occurred:* 2012

*Finding Summary:* During testing of certain items it was found that the City was not in compliance with certain SDCL sections that are required by state law for municipal finances.

*Status:* This funding has not been resolved as of December 31, 2015. The City has implemented steps to integrate the SDCL compliance provision into the financial reporting schedule and will continue monitoring and tracking to ensure compliance with relevant SDCL sections.

### **2014-E – Information Technology Controls**

*Initial Fiscal Year Finding Occurred:* 2014

*Finding Summary:* The City is missing certain information technology controls that could pose a potential threat to safeguarding financial statement information and the access to the financial statement information through the accounting software.

*Status:* This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the City's has not yet prioritized the specifically mentioned IT controls for implementation. Planned actions include review of the recommended IT controls by management and IT to consider the cost/benefit of implementing additional internal controls over technology resources.

## **Findings Related to Federal Awards**

### **2015-001 Allowable Costs**

*Initial Fiscal Year Finding Occurred:* 2014

*Finding Summary:* The City lacks an internal monitoring control of the information prepared on a Project Worksheet by City staff, or the information provided to a FEMA project specialist to put on a Project Worksheet to ensure the costs and rates are correct and accurate, agreeing to supporting documentation that ultimately are approved and paid off of those Project Worksheet's.

*Status:* This finding has not been resolved as of December 31, 2015. The reason for the finding's recurrence is that the City's current staffing resources has not yet provided for an additional review of project worksheets prior to submission. Planned actions include prioritizing the implementation of procedures to ensure that claimed amounts are supported by appropriate supporting documentation for the expense.