

**MUNICIPALITY OF HARRISBURG  
HARRISBURG, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2017 TO DECEMBER 31, 2017**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HARRISBURG

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2017

MAYOR:

Julie Burke-Van Luvanee

GOVERNING BOARD:

Ryan Berg  
Ryan Olson  
Allison Sanderson  
Ryan Wolbrink

CITY ADMINISTRATOR:

Andrew Pietrus

FINANCE OFFICER:

Mary McClung

ATTORNEY:

Nathan Schoen

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CERTIFIED PUBLIC ACCOUNTANTS

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

Governing Board  
Municipality of Harrisburg  
Harrisburg, 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 the Municipality of Harrisburg, South Dakota (Municipality), as of December 31, 2017 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality'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 Current Audit Findings as item 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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*.

#### Municipality's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
January 31, 2019

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Finding Number 2016-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue function resulting in decrease reliability of reported financial data and an increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2017-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2017-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is a continuing audit comment since 2003.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. The Finance Officer and Assistance Finance Officer also receive money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Harrisburg officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Municipality of Harrisburg Mayor, Julie Burke-Van Luvanee, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Harrisburg, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing policies and attempting to provide compensating controls.

CLOSING CONFERENCE

The contents of this report were discussed with the officials during the course of the audit and with one Councilman, the City Administrator, and Finance Officer on January 31, 2019.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Harrisburg  
Harrisburg, 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 Municipality of Harrisburg, South Dakota, (Municipality) as of December 31, 2017 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund,

and the aggregate remaining fund information of the Municipality of Harrisburg as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

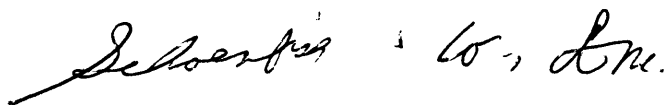
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions on pages 7 through 17, 49 through 52, 54, and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's financial statements. The combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 January 31, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Harrisburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- During the year, the City's total revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$2,193,441 more than the \$4,588,635 governmental and business-type program expenses.
- The total cost of the City's programs increased in public safety, health and welfare and conservation and development and saw a slight decrease in general government, public works, culture and recreation. No new programs were added this year.
- The governmental activities reported an increase of \$1,917,229 in the current year due to higher than expected collections of Charges for services, capital grants and contributions, revenue state sources and lower than expected expenses in several general fund programs. The business type activities reported an increase of \$276,212 in the current year due to increase in charges for services and lower than anticipated water services expenses.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has two proprietary funds – the Water Fund and the Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**

Major Features of the City of Harrisburg's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, the water and sewer systems
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes the most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water and sewer systems are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Position

The City's combined net position increased by 6.54% between fiscal year 2016 and 2017 increasing by \$2,193,441. (See Table A-1).

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Current and Other Assets	5,746,226	5,700,714	5,153,130	5,618,951	10,899,356	11,319,665
Net Pension Asset		1,547		667	0	2,214
Capital Assets	6,644,218	8,644,845	23,228,382	22,793,230	29,872,600	31,438,075
<b>Total Assets</b>	<b>12,390,444</b>	<b>14,347,106</b>	<b>28,381,512</b>	<b>28,412,848</b>	<b>40,771,956</b>	<b>42,759,954</b>
Deferred Outflows of Resources	127,673	156,364	57,647	68,522	185,320	224,886
Net Pension Liability	57,195		25,840		83,035	0
Long-Term Debt Outstanding	1,448,532	1,513,936	5,350,515	5,097,234	6,799,047	6,611,170
Other Liabilities	67,943	99,151	478,362	511,638	546,305	610,789
<b>Total Liabilities</b>	<b>1,573,670</b>	<b>1,613,087</b>	<b>5,854,717</b>	<b>5,608,872</b>	<b>7,428,387</b>	<b>7,221,959</b>
Deferred Outflows of Resources	3,560	32,267	2,548	14,392	6,108	46,659
<b>Net Position:</b>						
Net Investment in Capital Assets	5,199,322	7,157,808	17,885,226	17,706,062	23,084,548	24,863,870
Restricted for:						
Debt Service Purposes		21,768	245,273	316,294	245,273	338,062
SDRS Pension Purposes	66,918	125,644	29,259	54,797	96,177	180,441
Other Purposes	1,077,284	1,044,554	143,990	152,775	1,221,274	1,197,329
Unrestricted	4,597,363	4,508,342	4,278,146	4,628,178	8,875,509	9,136,520
<b>Total Net Position</b>	<b>10,940,887</b>	<b>12,858,116</b>	<b>22,581,894</b>	<b>22,858,106</b>	<b>33,522,781</b>	<b>35,716,222</b>
Beginning Net Position	9,856,851	10,940,887	21,918,395	22,581,894	31,775,246	33,522,781
Prior Period Adjustment	132,266		21,250		153,516	0
<b>Restated Beginning Net Position</b>	<b>9,989,117</b>	<b>10,940,887</b>	<b>21,939,645</b>	<b>22,581,894</b>	<b>31,928,762</b>	<b>33,522,781</b>
Change in Net Position	951,770	1,917,229	642,249	276,212	1,594,019	2,193,441
<b>Percentage of Increase in Net Position</b>	<b>9.53%</b>	<b>17.52%</b>	<b>2.93%</b>	<b>1.22%</b>	<b>4.99%</b>	<b>6.54%</b>

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the city, consisting of installment note payable, water revenue bonds payable, sales tax bonds payable, accrued leave payable, and sewer revenue bonds payable have been reported in this manner on the Statement of Net Position. The difference between

payable have been reported in this manner on the Statement of Net Position. The difference between the city's assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources is its net position.

The Municipality's net position reflect its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates primarily to the Municipality's purchase of vehicles and equipment for use by the various programs, continuing construction on the Columbia Basin storm sewer and sanitary sewer projects, completion of the construction of city hall and the acceptance of a sanitary sewer lift station installed by a private developer.

The Municipality's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was an increase in restricted net position primarily due to collections of dedicated storm drainage assessments and dedicated water and sewer surcharges in excess of outlays of these resources toward their intended purposes. The remaining balance of net position is unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

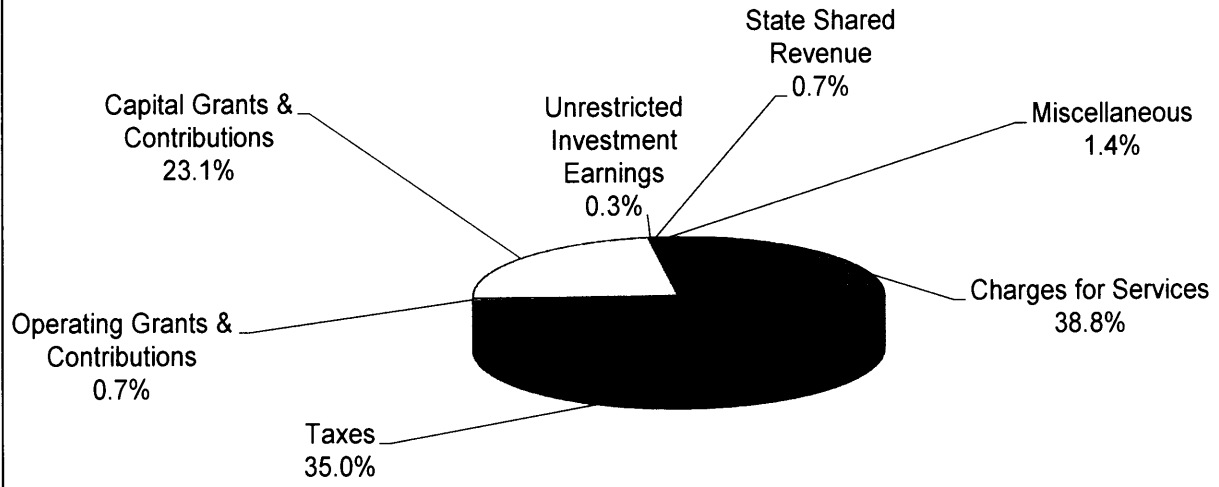
At the end of the current year, the Municipality is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

### **Changes in Net Position**

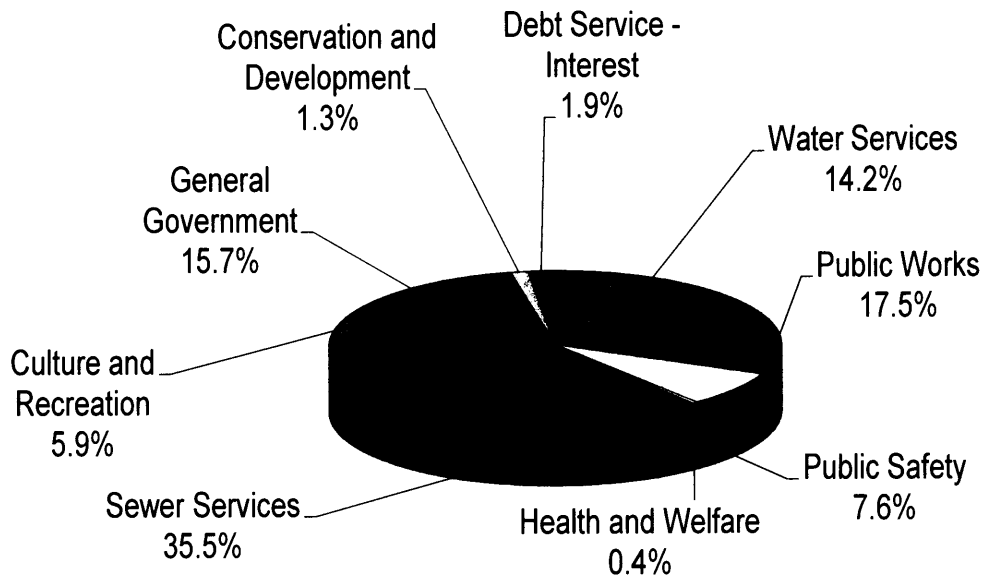
The City's total revenues (excluding special items) totaled \$6,782,076 (See Table A-2.) Approximately 74 percent of the City's revenue came from charges for services and taxes, with 39 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 35 cents of every dollar raised coming from some type of tax. (See Figure A-3).

The total cost of all programs and services saw an increase. The City's expenses cover a range of services, with approximately 67% related to public work services (road maintenance, water system services and sewer system services). (See Figure A-4)

**Figure A-3, City of Harrisburg, Sources of Revenues for Fiscal Year 2017**



**Figure A-4, City of Harrisburg, Functional Expenses for Fiscal Year 2017**





	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2017	2016	2017	2016	2017
<b>Revenues</b>						
Program Revenues						
Charges for Services	144,992	201,404	2,254,853	2,434,571	2,399,845	2,635,975
Operating Grants	45,428	45,225			45,428	45,225
Capital Grants and Contributions	874,570	1,490,619	379,059	76,282	1,253,629	1,566,901
General Revenues						
Taxes	2,319,784	2,373,752			2,319,784	2,373,752
Revenue State Sources	27,808	46,318			27,808	46,318
Unrestricted Investment Earnings	8,890	9,373	9,481	12,135	18,371	21,508
Miscellaneous	50,491	54,612	36,857	37,785	87,348	92,397
<b>Total Revenues</b>	<b>3,471,963</b>	<b>4,221,303</b>	<b>2,680,250</b>	<b>2,560,773</b>	<b>6,152,213</b>	<b>6,782,076</b>
<b>Expenses</b>						
General Government	807,687	719,936			807,687	719,936
Public Safety	342,968	348,792			342,968	348,792
Public Works	958,119	801,164			958,119	801,164
Health and Welfare	13,858	17,833			13,858	17,833
Culture and Recreation	300,796	272,684			300,796	272,684
Conservation and Development	32,820	58,300			32,820	58,300
Interest on Long -term Debt	63,945	86,315			63,945	86,315
Water Services			683,975	653,230	683,975	653,230
Sewer Services			1,354,026	1,630,381	1,354,026	1,630,381
<b>Total Expenses</b>	<b>2,520,193</b>	<b>2,305,024</b>	<b>2,038,001</b>	<b>2,283,611</b>	<b>4,558,194</b>	<b>4,588,635</b>
Transfers		950		(950)	0	0
<b>Increase (Decrease) in Net Position</b>	<b>951,770</b>	<b>1,917,229</b>	<b>642,249</b>	<b>276,212</b>	<b>1,594,019</b>	<b>2,193,441</b>
Prior Period Adjustments:						
Adjustments - Prior Period Corrections	132,266		21,250		153,516	0
<b>Ending Net Position</b>	<b>10,940,887</b>	<b>12,858,116</b>	<b>22,581,894</b>	<b>22,858,106</b>	<b>33,522,781</b>	<b>35,716,222</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains eight governmental funds – General Fund, Liquor, Lodging and Dining Sales Tax Special Revenue Fund, Storm Sewer Maintenance Special Revenue Fund and four Tax Increment Financing Debt Service Funds and two business type funds – Water and Sewer Funds. The Governmental Funds decreased by \$638,873 due to improvements and increased construction projects. The Water Fund had an increase in net position of \$353,571. The Sewer Fund had a decrease in net position of \$77,359. The Water Fund increase was partially due to an increase in actual number of users and decrease in expenses. The Sewer Fund decrease was due primarily to an increase in operating expenses incurred.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget once. These amendments fell into one category:

- Supplemental appropriations, expenses to provide for items necessary for health and welfare of its citizens.

The following were the significant budget changes during the year. Funds used from unobligated general fund balance unless otherwise noted.

- \$250,000 for additional engineering services
- \$18,000 for public safety warning siren
- \$2,000 for Building Inspection services
- \$163,420 for Storm Drainage professional services and improvements other than buildings
- \$2,170 for West Nile supplies and materials Funds used from South Dakota State Mosquito Grant.
- \$35,000 for attorney services
- \$8,000 for finance insurance
- \$17,421.10 for Planner Insurance, professional services, repairs and maintenance and travel and conference. Funds used from SD Building Officials Reimbursement of \$1,421.10
- \$1,118.85 for Library supplies and materials – Funds used from 2016 Library Donations
- \$1,200 for Economic Development professional service and fees and \$15,000 for Economic Development promotion, salaries, retirement and supplies and materials
- \$7,500 for Snow Removal funds transferred from contingency

General Fund Budget		
	<u>Original</u>	<u>Final</u>
Revenue	2,870,257	2,873,848
Expenses	<u>3,907,257</u>	<u>4,414,437</u>
Variance	(1,037,000)	(1,540,589)

## CAPITAL ASSET ADMINISTRATION

By the end of 2017, the City had invested \$31,438,075 in a broad range of capital assets including, land, buildings, infrastructure and various machinery and equipment, intangible assets and construction in progress. (See Table A-3.)

**Table A-3**  
**City of Harrisburg - Capital Assets**  
**(net of depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Land	\$ 700,438	\$ 1,552,163	\$ 75,435	\$ 75,435	\$ 775,873	\$ 1,627,598
Buildings	\$ 1,219,871	\$ 1,190,943			\$ 1,219,871	\$ 1,190,943
Improvements Other Than Buildings	\$ 4,244,731	\$ 4,763,120	\$ 21,507,467	\$ 21,083,921	\$ 25,752,198	\$ 25,847,041
Machinery and Equipment	\$ 342,318	\$ 495,263	\$ 282,581	\$ 303,733	\$ 624,899	\$ 798,996
Intangible Assets	\$ 13,398	\$ 9,899	\$ 1,278,406	\$ 1,245,649	\$ 1,291,804	\$ 1,255,548
Construction in Progress	\$ 123,462	\$ 633,456	\$ 84,493	\$ 84,493	\$ 207,955	\$ 717,949
<b>Total Capital Assets (Net)</b>	<b><u>\$ 6,644,218</u></b>	<b><u>\$ 8,644,844</u></b>	<b><u>\$ 23,228,382</u></b>	<b><u>\$ 22,793,231</u></b>	<b><u>\$ 29,872,600</u></b>	<b><u>\$ 31,438,075</u></b>

This year's major capital asset additions included:

- Land acquired; ROW along Lot 4 and Blok 17 Harrisburg Home sites, Tiger Way, Tracts 1, 3 and 4 Harrisburg School Addition, Tract 11 Devitt Farm Addition and Lot 1B Block 9 Legendary Estates
- Central Park and Heartland Park Parking Lot Improvements
- Annual Chip seal of street including curb and gutter repairs
- Sidewalk Repair and replacement
- Columbia Street North and Foundation Drive improvements
- Library Books
- 2017 Chevy Silverado
- Mobile Air Compressor
- Floating Pump
- Decorative Light Pole
- Honeysuckle Warning Siren
- 10' Fisher box for snow plow
- 2017 Freightliner Truck
- Rotary Mower
- Snowblast Snow Blower
- Maintenance Facility yard gate operators
- Lift Station Scada
- Backup controls and monitoring
- Atlas Generator
- Sensus Basestation Antenna and Equipment
- Mixer for Water Tower

## LONG-TERM DEBT

At year-end the City had \$2,256,244 in Water Revenue Bonds, \$253,339 in a note payable for the construction of Columbia Street and Foundation Drive improvements, \$2,830,924 in Clean Water Revenue Bond for wastewater improvements, \$1,233,698 in a Clean Water Revenue Bond for storm drainage improvements and \$36,965 payable to employees for accrued vacation leave.

**Table A-4**  
**City of Harrisburg - Outstanding Debt and Obligations**

	Governmental		Business-type		TOTAL	
	Activities		Activities			
	2016	2017	2016	2017	2016	2017
Note Payable	\$ 138,557				\$ 138,557	\$ -
Note Payable - First National Bank		\$ 253,339			-	253,339
Compensated Absences	17,034	\$ 26,899	\$ 7,359	\$ 10,066	24,393	36,965
Storm Drainage Revenue Bonds	1,292,941	1,233,698			1,292,941	1,233,698
Drinking Water Revenue Bonds			2,425,879	2,256,244	2,425,879	2,256,244
Wastewater Revenue Bonds			2,917,277	2,830,924	2,917,277	2,830,924
Net Pension Liability	57,195		25,840		83,035	-
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 1,448,532</b>	<b>\$ 1,513,936</b>	<b>\$ 5,376,355</b>	<b>\$ 5,097,234</b>	<b>\$ 6,824,887</b>	<b>\$ 6,611,170</b>

The City has outstanding \$158,532 in Drinking Water #1 Revenue Bonds. The bonds are secured and paid for from the Water Fund. The City does not anticipate the use of any tax dollars to pay for these bonds. These bonds were used to build the existing water tower in the Industrial Park and will be fully paid off on January 1, 2022.

The City has outstanding \$813,113 in Drinking Water #2 Revenue Bonds. The bonds are secured and paid for from the Water Fund. The City does not anticipate the use of any tax dollars to pay for these bonds. These bonds were used for the prepayment to Lewis & Clark Regional Water System and costs associated with the upsizing of pipe for the connection to Lewis & Clark, repayment began in 2009 and will be fully paid off October 15, 2028.

The City has outstanding \$1,284,599 in Drinking Water #3 Revenue Bonds. The bonds are secured and paid for from the Water Fund. The city does not anticipate the use of any tax dollars to pay for these bonds. These bonds were used to build the existing composite water tower by the Harrisburg High School and for the water main loop in the Harrisburg Homesites Addition repayment began in 2011 and will be fully paid off January 15, 2031.

The City has outstanding \$2,226,847 in Clean Water #3 Revenue Bonds. The bonds were secured and paid for from city sales tax dollars which was approved by the voters. These bonds were used to construct the force main to the City of Sioux Falls, repayment began in 2012 and will be fully paid off January 1, 2042. In 2013 the city set up a wastewater surcharge and converted the existing sales tax loan to bonds that are now secured and paid for from the Wastewater Fund.

The City has outstanding \$604,077 in Clean Water #4 Revenue Bonds. The bonds were secured and paid for from Sewer Fund. These bonds were used to improve the Columbia Street sanitary sewer system. Repayment began in 2014 and will be fully paid off in 2034.

The City has outstanding \$1,233,698 in Clean Water #5 (Storm Drainage) Revenue Bonds. The bonds were secured and paid for from Storm Sewer Maintenance Fund. These bonds were used to improve the Columbia Street storm sewer system. Repayment began in 2014 and will be fully paid off in 2033.

The City has outstanding \$253,339 in a note payable to First National Bank. This note was secured and paid for from the General Fund. These funds were used to improve Columbia Street North and Foundation Drive. Repayment will begin on August 1, 2018 and will be fully paid off in 2020..

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's current economic position has shown a slight change. The City experienced an increase in total property valuation of \$12,756,916 from the prior year. The increase in property valuation allows the City the ability to increase the amount of revenue generated from property taxes by approximately \$58,790. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower and for next year it is 0%. The property tax levy request increased due to our growth and CPI by 5.8%.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city experienced an increase in sales tax revenue of \$46,224 or almost 4% over the prior year. The City's adopted General Fund budget for the next fiscal year increased to \$2,773,373 using \$90,000 from the unassigned fund balance.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Harrisburg's Finance Office, PO Box 26, Harrisburg, SD 57032.

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF NET POSITION**  
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	4,475,875.34	4,748,973.43	9,224,848.77
Accounts Receivable, Net	1,194,036.15	155,237.26	1,349,273.41
Other Assets	18,047.55	225,670.75	243,718.30
Restricted Assets:			
Cash and Cash Equivalents		489,069.85	489,069.85
Deposits	12,755.54		12,755.54
Net Pension Asset	1,546.85	666.73	2,213.58
Capital Assets:			
Land and Construction Work in Progress	2,185,619.46	159,927.27	2,345,546.73
Other Capital Assets, Net of Depreciation	6,449,326.72	21,387,653.61	27,836,980.33
Intangible Assets, Net of Amortization	9,899.00	1,245,648.87	1,255,547.87
<b>TOTAL ASSETS</b>	<b>14,347,106.61</b>	<b>28,412,847.77</b>	<b>42,759,954.38</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	156,364.25	68,521.89	224,886.14
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>156,364.25</b>	<b>68,521.89</b>	<b>224,886.14</b>
<b>LIABILITIES :</b>			
Accounts Payable	69,857.73	207,356.95	277,214.68
Other Current Liabilities	29,293.32	304,280.55	333,573.87
Noncurrent Liabilities:			
Due Within One Year	169,843.67	274,996.11	444,839.78
Due in More than One Year	1,344,092.41	4,822,237.91	6,166,330.32
<b>TOTAL LIABILITIES</b>	<b>1,613,087.13</b>	<b>5,608,871.52</b>	<b>7,221,958.65</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Deferred Inflows	32,267.32	14,392.09	46,659.41
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>32,267.32</b>	<b>14,392.09</b>	<b>46,659.41</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	7,157,807.98	17,706,061.83	24,863,869.81
Restricted for:			
Debt Service Purposes	21,767.86	316,294.55	338,062.41
City Promotion/Parks	94,653.30		94,653.30
Storm Sewer Maintenance	937,145.95		937,145.95
SDRS Pension Purposes	125,643.78	54,796.53	180,440.31
Equipment Repair and Replacement		152,775.30	152,775.30
Cumulative Insurance Reserve	12,755.54		12,755.54
Unrestricted (Deficit)	4,508,342.00	4,628,177.84	9,136,519.84
<b>TOTAL NET POSITION</b>	<b>12,858,116.41</b>	<b>22,858,106.05</b>	<b>35,716,222.46</b>

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

**MUNICIPALITY OF HARRISBURG  
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	719,935.65	42,815.74	5,148.45		(671,971.46)		(671,971.46)
Public Safety	348,792.43	138,498.85	600.00		(209,693.58)		(209,693.58)
Public Works	801,164.53	580.00	39,476.84	1,365,333.76	604,226.07		604,226.07
Health and Welfare	17,832.64				(17,832.64)		(17,832.64)
Culture and Recreation	272,683.66	19,508.19			(253,175.47)		(253,175.47)
Conservation and Development	58,300.16			125,285.00	66,984.84		66,984.84
*Interest on Long-term Debt	86,314.71				(86,314.71)		(86,314.71)
<b>Total Governmental Activities</b>	<b>2,305,023.78</b>	<b>201,402.78</b>	<b>45,225.29</b>	<b>1,490,618.76</b>	<b>(567,776.95)</b>		<b>(567,776.95)</b>
<b>Business-type Activities:</b>							
Water	653,230.33	963,958.53				310,728.20	310,728.20
Sewer	1,630,380.67	1,470,611.92		76,282.33		(83,486.42)	(83,486.42)
Electric						0.00	0.00
<b>Total Business-type Activities</b>						<b>227,241.78</b>	<b>227,241.78</b>
<b>Total Primary Government</b>	<b>2,283,611.00</b>	<b>2,434,570.45</b>	<b>0.00</b>	<b>76,282.33</b>	<b>(567,776.95)</b>	<b>227,241.78</b>	<b>(340,535.17)</b>
	<b>4,588,634.78</b>	<b>2,635,973.23</b>	<b>45,225.29</b>	<b>1,566,901.09</b>			
<b>General Revenues:</b>							
Taxes:							
Property Taxes					1,225,624.05		1,225,624.05
Sales Taxes					1,148,128.49		1,148,128.49
State Shared Revenues					46,318.36		46,318.36
Unrestricted Investment Earnings					9,373.17	12,135.14	21,508.31
Miscellaneous Revenue					54,611.95	37,784.94	92,396.89
Transfers					950.00	(950.00)	0.00
<b>Total General Revenues</b>					<b>2,485,006.02</b>	<b>48,970.08</b>	<b>2,533,976.10</b>
<b>Change in Net Position</b>					<b>1,917,229.07</b>	<b>276,211.86</b>	<b>2,193,440.93</b>
<b>Net Position - Beginning</b>					<b>10,940,887.34</b>	<b>22,581,894.19</b>	<b>33,522,781.53</b>
<b>NET POSITION - ENDING</b>					<b>12,858,116.41</b>	<b>22,858,106.05</b>	<b>35,716,222.46</b>

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

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

**MUNICIPALITY OF HARRISBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	4,221,323.76	136,836.04	108,098.83	4,466,258.63
Cash with Fiscal Agent	7,735.70	1,881.01		9,616.71
Taxes Receivable--Delinquent	5,709.21			5,709.21
Accounts Receivable, Net	4,319.58			4,319.58
Special Assessments Receivable--Current	244,537.26	419,742.92		664,280.18
Special Assessments Receivable--Delinquent	1,734.44	3,129.33		4,863.77
Special Assessments Receivable--Deferred		375,556.65		375,556.65
Due from TIF #8 Fund	40,000.00			40,000.00
Due from Other Governments	150,847.07		8,322.33	159,169.40
Deposits	12,755.54			12,755.54
Prepaid Expenses	18,047.55			18,047.55
<b>TOTAL ASSETS</b>	<b>4,707,010.11</b>	<b>937,145.95</b>	<b>116,421.16</b>	<b>5,760,577.22</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	35,357.73		34,500.00	69,857.73
Due to General Fund			40,000.00	40,000.00
Accrued Wages Payable	16,266.77			16,266.77
Accrued Taxes Payable	2,112.19			2,112.19
<b>Total Liabilities</b>	<b>53,736.69</b>	<b>0.00</b>	<b>74,500.00</b>	<b>128,236.69</b>
Deferred Inflows of Resources:				
Unavailable Revenue--Sales and Use Taxes	33,278.34		947.17	34,225.51
Unavailable Revenue--Property taxes	5,709.21			5,709.21
Unavailable Revenue--Special Assessments	246,271.70	798,428.90		1,044,700.60
Other Deferred Inflows of Resources	39.43			39.43
<b>Total Deferred Inflows of Resources</b>	<b>285,298.68</b>	<b>798,428.90</b>	<b>947.17</b>	<b>1,084,674.75</b>
Fund Balances:				
Nonspendable:				
Cumulative Insurance Reserve	12,755.54			12,755.54
Prepaid Expenses	18,047.55			18,047.55
Restricted:				
City Promotion/Parks			93,706.13	93,706.13
Storm Sewer Maintenance		138,717.05		138,717.05
Debt Service			21,767.86	21,767.86
Assigned for Next Year's Budget	90,000.00			90,000.00
Unassigned	4,247,171.65		(74,500.00)	4,172,671.65
<b>Total Fund Balances</b>	<b>4,367,974.74</b>	<b>138,717.05</b>	<b>40,973.99</b>	<b>4,547,665.78</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>4,707,010.11</b>	<b>937,145.95</b>	<b>116,421.16</b>	<b>5,760,577.22</b>

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



**MUNICIPALITY OF HARRISBURG**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2017**

Total Fund Balances - Governmental Funds	<u>4,547,665.78</u>
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.	<u>1,546.85</u>
Capital assets and Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>8,644,845.18</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>156,364.25</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,513,936.08)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>1,084,674.75</u>
Intergovernmental activities are eliminated within the governmental funds on the government wide financial statements.	<u>(19,862.64)</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(32,267.32)</u>
Interest on general long-term debt is not recognized when incurred in the funds but is rather recognized when due. Accordingly, interest expense accrued but not due is not reported in the funds statements.	<u>(10,914.36)</u>
Net Position - Governmental Activities	<u><u>12,858,116.41</u></u>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	1,017,301.40		209,619.53	1,226,920.93
General Sales and Use Taxes	1,094,927.41		48,723.38	1,143,650.79
Amusement Taxes	972.00			972.00
Penalties and Interest on Delinquent Taxes	1,137.27			1,137.27
Licenses and Permits	138,498.85			138,498.85
Intergovernmental Revenue:				
Federal Grants	797.47			797.47
State Grants	186,296.57			186,296.57
State Shared Revenue:				
Bank Franchise Tax	20,932.96			20,932.96
Prorate License Fees	2,200.20			2,200.20
Liquor Tax Reversion	25,385.40			25,385.40
Motor Vehicle Licenses	24,672.00			24,672.00
Local Government Highway and Bridge Fund	7,264.78			7,264.78
County Shared Revenue:				
County Wheel Tax	4,616.63			4,616.63
Charges for Goods and Services:				
General Government	37,010.94			37,010.94
Sanitation	580.00			580.00
Culture and Recreation	18,500.00			18,500.00
Fines and Forfeits:				
Court Fines and Costs	100.00			100.00
Parking Meter Fines	500.00			500.00
Library	908.19			908.19
Other	100.00			100.00
Miscellaneous Revenue:				
Investment Earnings	8,723.22	435.94	214.01	9,373.17
Rentals	5,804.80			5,804.80
Special Assessments	21,324.40	140,781.92		162,106.32
Maintenance Assessments	194,153.47	271,630.17		465,783.64
Contributions and Donations from Private Sources	5,148.45			5,148.45
Other	47,476.30			47,476.30
<b>Total Revenue</b>	<b>2,865,332.71</b>	<b>412,848.03</b>	<b>258,556.92</b>	<b>3,536,737.66</b>
<b>Expenditures:</b>				
General Government:				
Legislative	25,523.34			25,523.34
Executive	138,290.23			138,290.23
Financial Administration	228,800.91		47,000.00	275,800.91
Other	278,071.96	11,400.00		289,471.96
<b>Total General Government</b>	<b>670,686.44</b>	<b>11,400.00</b>	<b>47,000.00</b>	<b>729,086.44</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	General Fund	Storm Sewer Maintenance Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	245,967.35			245,967.35
Fire	63,592.17			63,592.17
Protective Inspection	33,091.25			33,091.25
Total Public Safety	342,650.77	0.00	0.00	342,650.77
Public Works:				
Highways and Streets	321,660.36	3,686.80		325,347.16
Sanitation	19,928.05			19,928.05
Total Public Works	341,588.41	3,686.80	0.00	345,275.21
Health and Welfare:				
Health	17,948.94			17,948.94
Total Health and Welfare	17,948.94	0.00	0.00	17,948.94
Culture and Recreation:				
Recreation	1,075.00			1,075.00
Parks	150,945.60			150,945.60
Libraries	59,887.21			59,887.21
Total Culture and Recreation	211,907.81	0.00	0.00	211,907.81
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	24,484.27		35,500.00	59,984.27
Total Conservation and Development	24,484.27	0.00	35,500.00	59,984.27
Debt Service	1,280.30	97,369.72	183,337.86	281,987.88
Capital Outlay	1,302,275.54	1,145,918.36	0.00	2,448,193.90
Total Expenditures	2,912,822.48	1,258,374.88	265,837.86	4,437,035.22
Excess of Revenue Over (Under) Expenditures	(47,489.77)	(845,526.85)	(7,280.94)	(900,297.56)
<b>Other Financing Sources (Uses):</b>				
Transfers In	6,430.57			6,430.57
Sale of Municipal Property	7,135.65			7,135.65
Long-Term Debt Issued	253,339.30			253,339.30
Transfers Out			(5,480.57)	(5,480.57)
Total Other Financing Sources (Uses)	266,905.52	0.00	(5,480.57)	261,424.95
Net Change in Fund Balances	219,415.75	(845,526.85)	(12,761.51)	(638,872.61)
Fund Balance - Beginning	4,148,558.99	984,243.90	53,735.50	5,186,538.39
FUND BALANCE - ENDING	4,367,974.74	138,717.05	40,973.99	4,547,665.78

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

**MUNICIPALITY OF HARRISBURG**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2017**

Net Change in Fund Balances - Total Governmental Funds	<u>(638,872.61)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>2,448,193.90</u>
This amount represents the current year depreciation and amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(572,851.78)</u>
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.	<u>125,285.00</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>197,800.57</u>
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.	<u>(253,339.30)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(3,406.15)</u>
The fund financial statement governmental fund sales and use tax accruals differ from the government-wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available".	<u>4,477.70</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>571,010.05</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(9,864.61)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(74.24)</u>
Intergovernmental activities are eliminated within the governmental funds on the government wide financial statements.	<u>(7,727.48)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(536.82)</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>57,134.84</u>
Change in Net Position of Governmental Activities	<u><u>1,917,229.07</u></u>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	2,179,014.15	2,569,959.28	4,748,973.43
Accounts Receivable, Net	9,452.83	2,912.85	12,365.68
Unbilled Accounts Receivable	48,858.31	94,013.27	142,871.58
Prepaid Expense	3,244.53	4,583.93	7,828.46
<b>Total Current Assets</b>	<b>2,240,569.82</b>	<b>2,671,469.33</b>	<b>4,912,039.15</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	408,274.64	80,795.21	489,069.85
Engineering Development	5,957.04	211,885.25	217,842.29
Net Pension Asset	298.83	367.90	666.73
Capital Assets:			
Land	56,250.71	19,183.85	75,434.56
Improvements Other Than Buildings	9,766,214.40	17,235,088.70	27,001,303.10
Machinery and Equipment	324,575.70	822,244.80	1,146,820.50
Construction Work in Progress	84,492.71		84,492.71
Less: Accumulated Depreciation	(2,485,749.65)	(4,274,720.34)	(6,760,469.99)
Intangible Assets	1,553,220.95		1,553,220.95
Less: Accumulated Amortization	(307,572.08)		(307,572.08)
<b>Total Noncurrent Assets</b>	<b>9,405,963.25</b>	<b>14,094,845.37</b>	<b>23,500,808.62</b>
<b>TOTAL ASSETS</b>	<b>11,646,533.07</b>	<b>16,766,314.70</b>	<b>28,412,847.77</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	31,539.69	36,982.20	68,521.89
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,539.69</b>	<b>36,982.20</b>	<b>68,521.89</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	11,649.47	195,707.48	207,356.95
Accrued Interest Payable	16,184.91	21,868.62	38,053.53
Accrued Wages Payable	2,868.20	3,516.03	6,384.23
Accrued Taxes Payable	384.18	472.61	856.79
Customer Deposits	258,986.00		258,986.00
Bonds Payable Current:			
Revenue	175,805.65	89,124.36	264,930.01
<b>Total Current Liabilities</b>	<b>465,878.41</b>	<b>310,689.10</b>	<b>776,567.51</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Noncurrent Liabilities:</b>			
<b>Bonds Payable:</b>			
Revenue	2,080,437.85	2,741,800.06	4,822,237.91
Accrued Leave Payable	4,908.09	5,158.01	10,066.10
<b>Total Noncurrent Liabilities</b>	<b>2,085,345.94</b>	<b>2,746,958.07</b>	<b>4,832,304.01</b>
<b>TOTAL LIABILITIES</b>	<b>2,551,224.35</b>	<b>3,057,647.17</b>	<b>5,608,871.52</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	6,019.45	8,372.64	14,392.09
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,019.45</b>	<b>8,372.64</b>	<b>14,392.09</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,735,189.24	10,970,872.59	17,706,061.83
<b>Restricted Net Position, Restricted for:</b>			
Revenue Bond Debt Service	316,294.55		316,294.55
Equipment Repair and/or Replacement	71,980.09	80,795.21	152,775.30
SDRS Pension Purposes	25,819.07	28,977.46	54,796.53
Unrestricted Net Position	1,971,546.01	2,656,631.83	4,628,177.84
<b>TOTAL NET POSITION</b>	<b>9,120,828.96</b>	<b>13,737,277.09</b>	<b>22,858,106.05</b>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Revenue Dedicated to Servicing Debt	963,958.53	1,470,611.92	2,434,570.45
Total Operating Revenue	<u>963,958.53</u>	<u>1,470,611.92</u>	<u>2,434,570.45</u>
<b>Operating Expenses:</b>			
Personal Services	86,230.36	100,698.04	186,928.40
Other Current Expense	88,578.87	1,039,406.52	1,127,985.39
Materials (Cost of Goods Sold)	136,020.22		136,020.22
Amortization	32,756.86		32,756.86
Depreciation	231,056.84	398,713.65	629,770.49
Total Operating Expenses	<u>574,643.15</u>	<u>1,538,818.21</u>	<u>2,113,461.36</u>
Operating Income (Loss)	<u>389,315.38</u>	<u>(68,206.29)</u>	<u>321,109.09</u>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	6,007.58	6,127.56	12,135.14
Rental Revenue	36,834.94		36,834.94
Interest Expense and Fiscal Charges	(78,587.18)	(91,562.46)	(170,149.64)
Gain (Loss) on Disposition of Assets		950.00	950.00
Total Nonoperating Revenue (Expense)	<u>(35,744.66)</u>	<u>(84,484.90)</u>	<u>(120,229.56)</u>
Income (Loss) Before Contributions	<u>353,570.72</u>	<u>(152,691.19)</u>	<u>200,879.53</u>
Capital Contributions		76,282.33	76,282.33
Transfers Out		(950.00)	(950.00)
Change in Net Position	<u>353,570.72</u>	<u>(77,358.86)</u>	<u>276,211.86</u>
Net Position - Beginning	8,767,258.24	13,814,635.95	22,581,894.19
<b>NET POSITION - ENDING</b>	<u><u>9,120,828.96</u></u>	<u><u>13,737,277.09</u></u>	<u><u>22,858,106.05</u></u>

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

**MUNICIPALITY OF HARRISBURG**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2017

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	963,316.07	1,464,386.99	2,427,703.06
Cash Payments to Employees for Services	(95,641.09)	(97,530.74)	(193,171.83)
Cash Payments to Suppliers of Goods and Services	(223,417.01)	(914,543.11)	(1,137,960.12)
Net Cash Provided (Used) by Operating Activities	<u>644,257.97</u>	<u>452,313.14</u>	<u>1,096,571.11</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers Out		(950.00)	(950.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0.00</u>	<u>(950.00)</u>	<u>(950.00)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital Contributions		76,282.33	76,282.33
Purchase of Capital Assets	(221,740.16)	(197,477.27)	(419,217.43)
Proceeds from Sale of Capital Assets		950.00	950.00
Principal Paid on Capital Debt	(169,635.12)	(86,352.25)	(255,987.37)
Interest Paid on Capital Debt	(79,923.00)	(92,213.71)	(172,136.71)
Net Cash (Used) by Capital and Related Financing Activities	<u>(471,298.28)</u>	<u>(298,810.90)</u>	<u>(770,109.18)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	6,007.58	6,127.56	12,135.14
Cash Received for Rent	36,834.94		36,834.94
Net Cash Provided by Investing Activities	<u>42,842.52</u>	<u>6,127.56</u>	<u>48,970.08</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>215,802.21</u>	<u>158,679.80</u>	<u>374,482.01</u>
Balances - Beginning	2,371,486.58	2,508,429.07	4,879,915.65
Balances - Ending	<u>2,587,288.79</u>	<u>2,667,108.87</u>	<u>5,254,397.66</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	389,315.38	(68,206.29)	321,109.09
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	263,813.70	398,713.65	662,527.35
(Increase) decrease in Receivables	(11,417.46)	(6,224.93)	(17,642.39)
(Increase) decrease in Prepaid Expenses	1,111.77	1,279.27	2,391.04
(Increase) decrease in Net Pension Asset	(298.83)	(367.90)	(666.73)
(Increase) decrease in Pension Related Deferred Outflows	(2,697.74)	8,177.19	5,479.45
(Decrease) Increase in Net Pension Liability	(12,920.14)	(12,920.14)	(25,840.28)
(Decrease) increase in Accounts and Other Payables	70.31	123,584.14	123,654.45
(Decrease) increase in Accrued Wages Payable	72.51	160.30	232.81
(Decrease) increase in Accrued Leave Payable	1,501.19	1,205.79	2,706.98
(Decrease) increase in Pension Related Deferred Inflows	4,932.28	6,912.06	11,844.34
(Decrease) increase in Customer Deposits	10,775.00		10,775.00
Net Cash Provided (Used) by Operating Activities	<u>644,257.97</u>	<u>452,313.14</u>	<u>1,096,571.11</u>



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NOTES TO THE FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESa. Financial Reporting Entity:

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

b. Basis of Presentation:

## Government-wide Financial Statements:

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

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

## Fund Financial Statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**Governmental Funds:**

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

Liquor, Lodging and Dining Sales Tax – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is not a major fund.

Storm Sewer Maintenance Special Revenue Fund – to account for the proceeds of the special assessment for the purpose of maintaining the municipal sewers and septic or sewage treatment plants. (SDCL 9-48-21) This is 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.

Industrial Park TIF #1 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #2 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #3 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

TIF #8 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is not a major fund.

**Proprietary Funds:**

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

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 funds.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 Municipality of Harrisburg, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2017 are sales tax revenue and franchise fees.

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

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

All proprietary 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. Deposits and Investments:

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

e. Capital Assets:

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

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

Government-Wide Statements

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

The total December 31, 2017 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Infrastructure assets used in general government operations consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 10,000.00	Straight-line	10-50 yrs.
Buildings	\$ 10,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 1,000.00	Straight-line	5-10 yrs.
Infrastructure	\$ 10,000.00	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. 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 primarily consist of revenue bonds, notes payable, and compensated absences.

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

g. Program Revenues:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

h. Deferred Inflows and Deferred Outflows of Resources:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. 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 acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net 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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

I. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as Cumulative Insurance Reserve.
- Amount reported in non-spendable form such as prepaid expenses.

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

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

n. Pensions:

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

2. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL NONMAJOR FUNDS

As of December 31, 2017, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

TIF # 3 Debt Service Fund	\$ 34,500.00
TIF # 8 Debt Service Fund	\$ 40,000.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

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

As of December 31, 2017, the Municipality had the following investments. All investments are in an external investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 855,523.80
Total Investments		<u>\$ 855,523.80</u>

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

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

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

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

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

4. RESTRICTED DEPOSITS

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

Amount:	Purpose:
\$12,755.54	Restricted amount on deposit with the South Dakota Public Assurance Alliance

5. RECEIVABLES AND PAYABLES

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

6. PROPERTY TAXES

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

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

7. TAX ABATEMENTS

The Municipality entered into a sales tax abatement with a local business. The sales tax abatement was created to provide economic benefits to the City and other political subdivisions, including paying real property taxes to the City and other taxing subdivisions and generating significant retail sales tax revenues for the City when the development is operational. For the year December 31, 2017, the Municipality entered into an agreement with Offensive Holdings, LLC dba Ace Hardware (Developer) and Harrisburg Economic Development Corporation (HEDC). The agreement provides that for a period of five years, beginning on the month of first retail sale at the site, or until such time that \$100,000 has been reimbursed to Developer, the City shall reimburse to HEDC, and HEDC, and HEDC shall reimburse the Developer, fifty percent of the City sales taxes received from the site.

8. ENGINEER DEVELOPMENT

A feasibility study is in progress to determine the feasibility of a wastewater treatment facility land acquisition. At December 31, 2017, \$211,885.25 had been spent in the Sewer Fund. The SD Hwy 115 project is in the design phase. At December 31, 2017 \$5,957.04 had been spent in the Water Fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

9. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2017	Increases	Decreases	Balance 12/31/2017
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	700,437.97	851,725.15		1,552,163.12
Construction in Progress	123,461.73	1,362,648.69	(852,654.08)	633,456.34
Total, not being depreciated	<u>823,899.70</u>	<u>2,214,373.84</u>	<u>(852,654.08)</u>	<u>2,185,619.46</u>
Capital Assets, being depreciated:				
Buildings	1,434,741.94			1,434,741.94
Improvements Other Than Buildings	11,882,978.79	960,245.71		12,843,224.50
Machinery & Equipment	956,411.15	250,013.43	(18,405.00)	1,188,019.58
Total, being depreciated	<u>14,274,131.88</u>	<u>1,210,259.14</u>	<u>(18,405.00)</u>	<u>15,465,986.02</u>
Less Accumulated Depreciation for:				
Buildings	(214,870.28)	(28,928.17)		(243,798.45)
Improvements Other Than Buildings	(7,638,247.86)	(441,856.85)		(8,080,104.71)
Machinery & Equipment	(614,093.38)	(97,067.76)	18,405.00	(692,756.14)
Total Accumulated Depreciation	<u>(8,467,211.52)</u>	<u>(567,852.78)</u>	<u>18,405.00</u>	<u>(9,016,659.30)</u>
Total Capital Assets, being depreciated, net	<u>5,806,920.36</u>	<u>642,406.36</u>	<u>0.00</u>	<u>6,449,326.72</u>
Governmental Activity Capital Assets, Net	<u>6,630,820.06</u>	<u>2,856,780.20</u>	<u>(852,654.08)</u>	<u>8,634,946.18</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 17,510.26
Public Safety	475,539.79
Public Works	6,206.26
Culture and Recreation	68,596.47
Total Depreciation Expense - Governmental Activities	<u>\$ 567,852.78</u>

See Independent Auditor's Report.

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

	Balance 01/01/2017	Increases	Decreases	Balance 12/31/2017
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated:				
Land	75,434.56			75,434.56
Construction Work in Progress	84,492.71			84,492.71
Total, not being depreciated	<u>159,927.27</u>	<u>0.00</u>	<u>0.00</u>	<u>159,927.27</u>
Capital Assets, being depreciated:				
Improvements Other Than Buildings	26,877,807.10	123,496.00		27,001,303.10
Machinery & Equipment	1,044,440.98	103,879.52	(1,500.00)	1,146,820.50
Total, being depreciated	<u>27,922,248.08</u>	<u>227,375.52</u>	<u>(1,500.00)</u>	<u>28,148,123.60</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(5,370,339.29)	(547,043.27)		(5,917,382.56)
Machinery & Equipment	(761,860.21)	(82,727.22)	1,500.00	(843,087.43)
Total Accumulated Depreciation	<u>(6,132,199.50)</u>	<u>(629,770.49)</u>	<u>1,500.00</u>	<u>(6,760,469.99)</u>
Total Capital Assets, being depreciated, net	<u>21,790,048.58</u>	<u>(402,394.97)</u>	<u>0.00</u>	<u>21,387,653.61</u>
Business-type Activity Capital Assets, Net	<u>21,949,975.85</u>	<u>(402,394.97)</u>	<u>0.00</u>	<u>21,547,580.88</u>

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities:</b>	
Water	\$ 231,056.84
Sewer	398,713.65
Total Depreciation Expense - Business-Type Activities	<u>\$ 629,770.49</u>

Construction Work in Progress at December 31, 2017 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2017	Committed	Required Future Financing
SD Hwy 115 Water Main Improvement	1,444,241.55	84,492.71	0.00	1,359,748.84
Willow St. Row & Easement Acquisition	753,155.00	44,747.79	225,252.21	483,155.00
Devitt Regional Detention Pond	607,849.97	581,196.32	26,653.65	0.00
2018 Street/Water Main Improvements	406,069.28	7,512.23	398,557.05	0.00
Total	<u>3,211,315.80</u>	<u>717,949.05</u>	<u>650,462.91</u>	<u>1,842,903.84</u>

Intangible assets are composed of the following:

	Balance 01/01/2017	Increases	Decreases	Balance 12/31/2017
<b>Governmental Activities:</b>				
Software & Website	23,495.00	1,500.00		24,995.00
Less Accumulated Amortization	(10,097.00)	(4,999.00)		(15,096.00)
Governmental Activities, Net	<u>13,398.00</u>	<u>(3,499.00)</u>	<u>0.00</u>	<u>9,899.00</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Amortization expense was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 4,999.00</u>
Total Amortization Expense - Governmental Activities	<u>\$ 4,999.00</u>

	<u>Balance</u> 01/01/2017	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12/31/2017
Business-type Activities:				
Lewis and Clark Water System Payment	1,553,220.95			1,553,220.95
Less Accumulated Amortization	<u>(274,815.22)</u>	<u>(32,756.86)</u>		<u>(307,572.08)</u>
Business-type Activities, Net	<u>1,278,405.73</u>	<u>(32,756.86)</u>	<u>0.00</u>	<u>1,245,648.87</u>

Amortization expense was charged to functions as follows:

Business-Type Activities:	
Water	<u>\$ 32,756.86</u>
Total Amortization Expense - Business-Type Activities	<u>\$ 32,756.86</u>

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning</u> Balance 1/1/2017	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> Balance 12/31/2017	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Storm Water Assessment Bond - Series 2011	1,292,941.69		59,243.79	1,233,697.90	61,041.19
Notes Payable - First National Bank	0.00	253,339.30		253,339.30	81,903.60
TIF #1 Note Payable	<u>138,556.78</u>		<u>138,556.78</u>	0.00	0.00
Total Debt	<u>1,431,498.47</u>	<u>253,339.30</u>	<u>197,800.57</u>	<u>1,487,037.20</u>	<u>142,944.79</u>
Accrued Compensated Absences- Governmental Funds	<u>17,034.27</u>	<u>23,498.05</u>	<u>13,633.44</u>	<u>26,898.88</u>	<u>26,898.88</u>
Total Governmental Activities	<u>1,448,532.74</u>	<u>276,837.35</u>	<u>211,434.01</u>	<u>1,513,936.08</u>	<u>169,843.67</u>
Business-Type Activities:					
Bonds Payable:					
Water Revenue, Series 2000	191,214.14		32,682.59	158,531.55	34,347.61
Water Revenue, Series 2007	873,666.59		60,553.61	813,112.98	62,545.73
Water System Revenue, Series 2008	1,360,997.89		76,398.92	1,284,598.97	78,912.31
Clean Water Revenue Bonds, Series 2009	2,286,335.31		59,487.90	2,226,847.41	61,444.95
Clean Water Revenue Bonds, Series 2011	<u>630,941.36</u>		<u>26,864.35</u>	<u>604,077.01</u>	<u>27,679.41</u>
Total Debt	<u>5,343,155.29</u>	<u>0.00</u>	<u>255,987.37</u>	<u>5,087,167.92</u>	<u>264,930.01</u>
Accrued Compensated Absences- Business-Type Funds	<u>7,359.12</u>	<u>10,776.01</u>	<u>8,069.03</u>	<u>10,066.10</u>	<u>10,066.10</u>
Total Business-Type Activities	<u>5,350,514.41</u>	<u>10,776.01</u>	<u>264,056.40</u>	<u>5,097,234.02</u>	<u>274,996.11</u>
TOTAL PRIMARY GOVERNMENT	<u>6,799,047.15</u>	<u>287,613.36</u>	<u>475,490.41</u>	<u>6,611,170.10</u>	<u>444,839.78</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Revenue Bonds:

Sales Tax Revenue Bonds - Series 2009 3.25 Percent Interest, Final Maturity Date of January 2042, Retired by the Sewer Fund.	2,226,847.41
Water Improvement Revenue Bonds SRF - Series 2000 5.0 Percent Interest, Final Maturity Date of January 2022, Retired by the Water Fund.	158,531.55
Water Improvement Revenue Bonds SRF - Series 2007 3.25 Percent Interest, Final Maturity Date of October 2028, Retired by the Water Fund.	813,112.98
Water System Revenue Bonds SRF - Series 2008 3.25 Percent Interest, Final Maturity Date of January 2031, Retired by the Water Fund.	1,284,598.97
Clean Water Revenue Bonds SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2034, Retired by the Sewer Fund.	604,077.01
Storm Water Assessment Bond SRF - Series 2011 3.00 Percent Interest, Final Maturity Date of October 2033, Retired by the Storm Sewer Maintenance Fund.	1,233,697.90

Notes Payable:

First National Bank North Note Payable 3.14 Percent Interest, Final Maturity Date of August 1, 2020 Retired by the General Fund.	253,339.30
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Compensated Absences:

Compensated Absences Accrued at Year End, Payable from the Fund that the payroll is incurred.	
General Fund	26,898.88
Water Fund	4,908.09
Sewer Fund	5,158.01

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2017

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2009		Water Improvement Revenue Bond, Series 2000		Water Improvement Revenue Bond, Series 2007	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	61,444.95	71,628.73	34,347.61	7,289.23	62,545.73	25,669.03
2019	63,466.38	69,607.30	36,097.47	5,539.37	64,603.36	23,611.40
2020	65,554.31	67,519.37	37,936.46	3,700.38	66,728.71	21,486.05
2021	67,710.94	65,362.74	39,869.15	1,767.69	68,923.96	19,290.80
2022	69,938.50	63,135.18	10,280.86	128.35	71,191.44	17,023.32
2023-2027	385,757.07	279,611.33			392,667.83	48,405.97
2028-2032	453,525.37	211,843.03			86,451.95	1,762.81
2033-2037	533,198.94	132,169.46				
2038-2042	526,250.95	39,312.19				
Totals	<u>2,226,847.41</u>	<u>1,000,189.33</u>	<u>158,531.55</u>	<u>18,425.02</u>	<u>813,112.98</u>	<u>157,249.38</u>

Year Ending December 31,	Water System Revenue Bond, Series 2008		Note Payable First National Bank		Clean Water Revenue Bond, Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	78,912.31	40,794.21	81,903.60	7,932.75	27,679.41	17,812.87
2019	81,508.39	38,198.13	84,378.50	5,457.85	28,519.17	16,973.11
2020	84,189.87	35,516.65	87,057.20	2,779.15	29,384.44	16,107.84
2021	86,959.57	32,746.95			30,275.92	15,216.36
2022	89,820.39	29,886.13			31,194.47	14,297.81
2023-2027	495,418.78	103,113.82			170,756.06	56,705.34
2028-2032	367,789.66	21,256.53			198,279.24	29,182.16
2033-2037					87,988.30	2,995.52
2038-2042						
Totals	<u>1,284,598.97</u>	<u>301,512.42</u>	<u>253,339.30</u>	<u>16,169.75</u>	<u>604,077.01</u>	<u>169,291.01</u>

Year Ending December 31,	Storm Water Assessment Bond, Series 2011		Totals	
	Principal	Interest	Principal	Interest
2018	61,041.19	36,328.53	407,874.80	207,455.35
2019	62,893.15	34,476.57	421,466.42	193,863.73
2020	64,801.27	32,568.45	435,652.26	179,677.89
2021	66,767.29	30,602.43	360,506.83	164,986.97
2022	68,792.95	28,576.77	341,218.61	153,047.56
2023-2027	376,567.19	110,281.41	1,821,166.93	598,117.87
2028-2032	437,263.85	49,584.75	1,543,310.07	313,629.28
2033-2037	95,571.01	1,798.67	716,758.25	136,963.65
2038-2042			526,250.95	39,312.19
Totals	<u>1,233,697.90</u>	<u>324,217.58</u>	<u>6,574,205.12</u>	<u>1,987,054.49</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

11. OPERATING LEASES

The Municipality leases a copy, print, scan, fax machine for office use. Monthly lease payments of \$340.47 are made from the General Fund.

The following are the minimum payments required for existing leases:

<u>Year:</u>	
2018	4,085.64
2019	4,085.64
2020	4,085.64
2021	4,085.64
2022	3,404.70

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2017 was as follows:

	<u>Restricted By</u>	<u>12/31/2017</u>
City Promotion/Parks	Law	\$ 94,653.30
Storm Sewer Maintenance	Law	937,145.95
Cumulative Insurance Reserve	Insurance Agreement	12,755.54
SDRS Pension Purposes	Governmental Accounting Standards	180,440.31
Debt Service	Loan Agreement	338,062.41
Equipment Repair/Replacement	Loan Agreement	152,775.30
Total Restricted Net Position		<u>\$ 1,715,832.81</u>

13. PENSION PLAN

Plan Information:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Benefits Provided:

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$31,490.62, \$28,837.80, and \$27,225.65, respectively, equal to the required contributions each year.

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

Proportionate share of pension liability	\$ 2,837,988.66
Less proportionate share of net pension restricted for pension benefits	<u>2,840,202.24</u>
Proportionate share of net pension liability (asset)	<u>\$ (2,213.58)</u>

At December 31, 2017, the Municipality reported a liability (asset) of \$(2,213.58) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Municipality's proportion was 0.02439220%, which is an increase of -0.0001897% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality recognized pension expense (reduction of pension expense) of \$(51,946.86). At December 31, 2017 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 35,467.79	
Changes in assumption.	\$ 171,871.51	
Net Difference between projected and actual earnings on pension plan investments.		\$ 42,558.46
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,476.95	\$ 4,594.32
Municipality contributions subsequent to the measurement date.	<u>\$ 16,105.45</u>	
TOTAL	<u>\$ 224,921.70</u>	<u>\$ 47,152.78</u>

\$16,105.45 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:		
2018	\$	42,714.56
2019	\$	73,901.28
2020	\$	55,084.98
2021	\$	<u>(10,037.35)</u>
 TOTAL	 \$	 <u>161,663.47</u>

Actuarial Assumptions:

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100%</u>	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Discount Rate:

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

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

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$405,418.64	\$(2,213.58)	\$(334,158.79)

Pension Plan Fiduciary Net Position:

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

14. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2017, the Municipality was not involved in any significant litigation.

15. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members 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 Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the member based on their exposure or type of coverage. The Municipality pays an annual

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

premium to the pool to provide coverage for: General Liability, Vehicle Coverage, Property and Building Coverage, Errors and Omissions of Officials and Employees Coverage.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage's will be provided to a \$2,000,000 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. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2017, the Municipality has vested balance in the cumulative reserve fund of \$12,755.54.

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

**16. ASSOCIATION WITH RELATED PARTIES**

The Finance Officer's spouse is a maintenance worker for the city.

The Office Assistant for the city is also an employee of the Harrisburg Economic Development Corporation.

A member of the City Council, Ryan Wolbrink, is the treasurer of the Harrisburg Fire Department.

The City may make decisions that affect the dealings with these organizations although the City has no direct influence on the organizations' operations.

See Independent Auditor's Report.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	1,023,786.00	1,023,786.00	1,017,301.40	(6,484.60)
General Sales and Use Taxes	900,000.00	900,000.00	1,094,927.41	194,927.41
Amusement Taxes	350.00	350.00	972.00	622.00
Penalties and Interest on Delinquent Taxes	3,000.00	3,000.00	1,137.27	(1,862.73)
Licenses and Permits	84,850.00	84,850.00	138,498.85	53,648.85
<b>Intergovernmental Revenue:</b>				
Federal Grants	0.00	0.00	797.47	797.47
State Grants	525,000.00	527,170.00	186,296.57	(340,873.43)
<b>State Shared Revenue:</b>				
Bank Franchise Tax	7,000.00	7,000.00	20,932.96	13,932.96
Prorate License Fees	1,750.00	1,750.00	2,200.20	450.20
Liquor Tax Reversion	12,000.00	12,000.00	25,385.40	13,385.40
Motor Vehicle Licenses	18,000.00	18,000.00	24,672.00	6,672.00
Local Government Highway and Bridge Fund	8,000.00	8,000.00	7,264.78	(735.22)
<b>County Shared Revenue:</b>				
County Highway and Bridge ReserveTax	1,500.00	1,500.00	0.00	(1,500.00)
County Wheel Tax	4,000.00	4,000.00	4,616.63	616.63
<b>Charges for Goods and Services:</b>				
General Government	12,550.00	12,550.00	37,010.94	24,460.94
Sanitation	0.00	0.00	580.00	580.00
Culture and Recreation	17,500.00	17,500.00	18,500.00	1,000.00
<b>Fines and Forfeits:</b>				
Court Fines and Costs	0.00	0.00	100.00	100.00
Parking Meter Fines	0.00	0.00	500.00	500.00
Library	0.00	0.00	908.19	908.19
Other	0.00	0.00	100.00	100.00
<b>Miscellaneous Revenue:</b>				
Investment Earnings	2,750.00	2,750.00	8,723.22	5,973.22
Rentals	5,000.00	5,000.00	5,804.80	804.80
Special Assessments	0.00	0.00	21,324.40	21,324.40
Maintenance Assessments	195,721.00	195,721.00	194,153.47	(1,567.53)
Contributions and Donations from Private Sources	5,000.00	5,000.00	5,148.45	148.45
Other	42,500.00	43,921.00	47,476.30	3,555.30
<b>Total Revenue</b>	<b>2,870,257.00</b>	<b>2,873,848.00</b>	<b>2,865,332.71</b>	<b>(8,515.29)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Legislative	29,072.00	30,272.00	25,523.34	4,748.66
Contingency	30,000.00	30,000.00		
Amount Transferred		(7,500.00)		22,500.00
Executive	150,299.00	151,049.00	138,290.23	12,758.77
Elections	1,450.00	1,450.00	0.00	1,450.00
Financial Administration	217,562.00	260,562.00	228,800.91	31,761.09
Other	400,020.00	657,441.00	472,595.57	184,845.43
Total General Government	828,403.00	1,123,274.00	865,210.05	258,063.95
Public Safety:				
Police	248,326.00	266,326.00	256,720.35	9,605.65
Fire	65,800.00	65,800.00	63,592.17	2,207.83
Protective Inspection	36,044.00	38,044.00	33,091.25	4,952.75
Total Public Safety	350,170.00	370,170.00	353,403.77	16,766.23
Public Works:				
Highways and Streets	2,101,822.00	2,272,742.00	1,298,729.32	974,012.68
Sanitation	31,090.00	32,590.00	19,928.05	12,661.95
Total Public Works	2,132,912.00	2,305,332.00	1,318,657.37	986,674.63
Health and Welfare:				
Health	90,391.00	93,161.00	17,948.94	75,212.06
Total Health and Welfare	90,391.00	93,161.00	17,948.94	75,212.06
Culture and Recreation:				
Recreation	2,500.00	2,500.00	1,075.00	1,425.00
Parks	412,149.00	413,149.00	250,639.66	162,509.34
Libraries	78,738.00	79,857.00	80,123.12	(266.12)
Total Culture and Recreation	493,387.00	495,506.00	331,837.78	163,668.22
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	11,994.00	26,994.00	24,484.27	2,509.73
Total Conservation and Development	11,994.00	26,994.00	24,484.27	2,509.73
Debt Service	0.00	0.00	1,280.30	(1,280.30)
<b>Total Expenditures</b>	<b>3,907,257.00</b>	<b>4,414,437.00</b>	<b>2,912,822.48</b>	<b>1,501,614.52</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(1,037,000.00)</b>	<b>(1,540,589.00)</b>	<b>(47,489.77)</b>	<b>1,493,099.23</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Other Financing Sources (Uses):</b>				
Transfers In	5,000.00	5,000.00	6,430.57	1,430.57
Sale of Municipal Property	0.00	0.00	7,135.65	7,135.65
Long-Term Debt Issued	1,032,000.00	1,032,000.00	253,339.30	(778,660.70)
<b>Total Other Financing Sources (Uses)</b>	<b>1,037,000.00</b>	<b>1,037,000.00</b>	<b>266,905.52</b>	<b>(770,094.48)</b>
<b>Net Change in Fund Balances</b>	<b>0.00</b>	<b>(503,589.00)</b>	<b>219,415.75</b>	<b>723,004.75</b>
<b>Fund Balance - Beginning</b>	<b>4,148,558.99</b>	<b>4,148,558.99</b>	<b>4,148,558.99</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>4,148,558.99</b>	<b>3,644,969.99</b>	<b>4,367,974.74</b>	<b>723,004.75</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HARRISBURG**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STORM SEWER MAINTENANCE SPECIAL REVENUE FUND**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Penalties and Interest on Delinquent Taxes	150.00	150.00	0.00	(150.00)
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	435.94	(64.06)
Special Assessments	0.00	0.00	140,781.92	140,781.92
Maintenance Assessments	275,104.00	275,104.00	271,630.17	(3,473.83)
<b>Total Revenue</b>	<b>275,754.00</b>	<b>275,754.00</b>	<b>412,848.03</b>	<b>137,094.03</b>
<b>Expenditures:</b>				
General Government:				
Other	20,000.00	72,000.00	54,580.80	17,419.20
<b>Total General Government</b>	<b>20,000.00</b>	<b>72,000.00</b>	<b>54,580.80</b>	<b>17,419.20</b>
Public Works:				
Highways and Streets	1,171,615.00	1,171,615.00	1,106,424.36	65,190.64
<b>Total Public Works</b>	<b>1,171,615.00</b>	<b>1,171,615.00</b>	<b>1,106,424.36</b>	<b>65,190.64</b>
<b>Debt Service</b>	<b>97,370.00</b>	<b>97,370.00</b>	<b>97,369.72</b>	<b>0.28</b>
<b>Total Expenditures</b>	<b>1,288,985.00</b>	<b>1,340,985.00</b>	<b>1,258,374.88</b>	<b>82,610.12</b>
<b>Net Change in Fund Balances</b>	<b>(1,013,231.00)</b>	<b>(1,065,231.00)</b>	<b>(845,526.85)</b>	<b>219,704.15</b>
Fund Balance - Beginning	984,243.90	984,243.90	984,243.90	0.00
<b>FUND BALANCE - ENDING</b>	<b>(28,987.10)</b>	<b>(80,987.10)</b>	<b>138,717.05</b>	<b>219,704.15</b>



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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting

The Municipality followed 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 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipality's proportion of the net pension liability/asset	0.0243922%	0.0245819%	0.0240234%
Municipality's proportionate share of net pension liability (asset)	(\$2,213.62)	\$830,365.24	(\$101,890)
Municipality's covered-employee payroll	\$ 495,715	\$ 469,426	\$ 438,304
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.45%	176.89%	23.25%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.1%	96.89%	104.1%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

## South Dakota Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,491	\$ 28,838	\$ 27,226
Contributions in relation to the contractually required contribution	<u>\$ 31,491</u>	<u>\$ 28,838</u>	<u>\$ 27,226</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 524,839	\$ 481,408	\$ 453,464
Contributions as a percentage of covered-employee payroll	6.00%	5.99%	6.00%

**MUNICIPALITY OF HARRISBURG  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>Liquor, Lodging &amp; Dining Sales Tax Spec. Rev. Fund</u>	<u>TIF #1 Debt Service Fund</u>	<u>TIF #3 Debt Service Fund</u>	<u>TIF #8 Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	86,330.97	21,767.86			108,098.83
Due from Other Government	8,322.33				8,322.33
<b>TOTAL ASSETS</b>	<u>94,653.30</u>	<u>21,767.86</u>	<u>0.00</u>	<u>0.00</u>	<u>116,421.16</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
Liabilities:					
Accounts Payable			34,500.00		34,500.00
Due to General Fund				40,000.00	40,000.00
<b>Total Liabilities</b>	<u>0.00</u>	<u>0.00</u>	<u>34,500.00</u>	<u>40,000.00</u>	<u>74,500.00</u>
Deferred Inflows of Resources:					
Unavailable Revenue--Sales and Use Taxes	947.17				947.17
<b>Total Deferred Inflows of Resources</b>	<u>947.17</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>947.17</u>
Fund Balances:					
Restricted for City Promotion/Parks	93,706.13				93,706.13
Restricted for Debt Service		21,767.86			21,767.86
Unassigned			(34,500.00)	(40,000.00)	(74,500.00)
<b>Total Fund Balances</b>	<u>93,706.13</u>	<u>21,767.86</u>	<u>(34,500.00)</u>	<u>(40,000.00)</u>	<u>40,973.99</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>94,653.30</u>	<u>21,767.86</u>	<u>0.00</u>	<u>0.00</u>	<u>116,421.16</u>

**MUNICIPALITY OF HARRISBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	Liquor, Lodging, & Dining Sales Tax Spec. Rev. Fund	Industrial Park TIF # 1 Debt Service Fund	TIF #2 Debt Service Fund	TIF #3 Debt Service Fund	TIF #8 Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>						
Taxes:						
General Property Taxes		164,481.35	45,138.18			209,619.53
General Sales and Use Taxes	48,723.38					48,723.38
Miscellaneous Revenue:						
Investment Earnings	198.29		15.72			214.01
<b>Total Revenue</b>	<b>48,921.67</b>	<b>164,481.35</b>	<b>45,153.90</b>	<b>0.00</b>	<b>0.00</b>	<b>258,556.92</b>
<b>Expenditures:</b>						
General Government:						
Financial Administration				34,500.00	12,500.00	47,000.00
Total General Government	0.00	0.00	0.00	34,500.00	12,500.00	47,000.00
Conservation and Development:						
Economic Development and Assistance (Industrial Development)	35,500.00					35,500.00
Total Conservation and Development	35,500.00	0.00	0.00	0.00	0.00	35,500.00
Debt Service	0.00	142,713.49	40,624.37	0.00	0.00	183,337.86
<b>Total Expenditures</b>	<b>35,500.00</b>	<b>142,713.49</b>	<b>40,624.37</b>	<b>34,500.00</b>	<b>12,500.00</b>	<b>265,837.86</b>
Excess of Revenue Over (Under) Expenditures	13,421.67	21,767.86	4,529.53	(34,500.00)	(12,500.00)	(7,280.94)
<b>Other Financing Sources (Uses):</b>						
Transfers Out			(5,480.57)			(5,480.57)
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>(5,480.57)</b>	<b>0.00</b>	<b>0.00</b>	<b>(5,480.57)</b>
<b>Net Change in Fund Balances</b>	<b>13,421.67</b>	<b>21,767.86</b>	<b>(951.04)</b>	<b>(34,500.00)</b>	<b>(12,500.00)</b>	<b>(12,761.51)</b>
Fund Balance - Beginning	80,284.46	0.00	951.04	0.00	(27,500.00)	53,735.50
<b>FUND BALANCE - ENDING</b>	<b>93,706.13</b>	<b>21,767.86</b>	<b>(0.00)</b>	<b>(34,500.00)</b>	<b>(40,000.00)</b>	<b>40,973.99</b>