

CITY OF RAPID CITY

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

DECEMBER 31, 2017

CITY OF RAPID CITY, SOUTH DAKOTA
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Steve Allender, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

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

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison, schedules of funding progress for retiree health insurance coverage information, and pension schedules on pages 3 through 10 and 62 through 69 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements on pages 70 through 89, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 95 is presented for purposes of additional analysis and is not a required part of the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 20, 2018

CITY OF RAPID CITY, SOUTH DAKOTA
Management's Discussion and Analysis (Unaudited)

As management of the City of Rapid City, we offer readers of the City of Rapid City's financial statements this narrative overview and analysis of the financial activities of the City of Rapid City for the fiscal year ended December 31, 2017. We encourage readers to consider it in conjunction with the additional information presented in the basic financial statements and the notes to the financial statements.

The City of Rapid City provides many municipal services including public safety, streets, parks, general administration and public utilities. For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits, and separate legal entity status.

Financial Highlights

- The assets of the City of Rapid City exceeded its liabilities at the close of the most recent fiscal year by \$836,332,752 (Net position). Of this amount, \$121,381,904 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$43,977,524 during 2017.
- As of the close of the current fiscal year, the City of Rapid City's governmental funds reported combined ending fund balances of \$82,703,210.
- At the end of the current fiscal year, fund balance for the general fund was \$17,106,064 or about twenty-nine percent (29%) of total general fund expenditures.
- The City of Rapid City's total debt decreased by \$5,155,130 during the current fiscal year after taking into account new tax increment districts, retirements/payments and changes in post-employment benefits and compensated absences liabilities.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Rapid City's basic financial statements. The City of Rapid City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains both required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Rapid City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Rapid City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rapid City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rapid City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Rapid City include general government, public safety, public works, health & welfare, conservation and development, and culture and recreation. The business-type activities of the City of Rapid City include water, water reclamation, airport, solid waste, civic center, golf, parking, ambulance, energy plant and transportation terminal.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rapid City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rapid City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rapid City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and three special revenue funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Rapid City adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary Funds

The City of Rapid City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Rapid City uses enterprise funds to account for its water, water reclamation, airport, solid waste, civic center, golf, parking, ambulance, energy plant and transportation terminal operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City of Rapid City's various functions. The City of Rapid City uses internal service funds to account for its worker's compensation, health and liability insurance and unemployment compensation management. These services benefit all functions and they have been allocated to each based on the ratio of the individual function's payroll to the total payroll of the City in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, water reclamation, solid waste, airport and civic center which are considered to be major funds of the City of Rapid City. Data from the other nine enterprise funds are combined into a single aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18-25 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Rapid City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 26 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-61 of this report.

Required Supplementary Information

The Management's Discussion and Analysis (pages 3-10) and the section that follows the basic financial statements (pages 62-69) are considered required supplementary information to the basic financial statements. This section that follows the basic financial statements includes a Budgetary Comparison Schedule, and related notes, for the General Fund and for each major special revenue fund that has a legally adopted annual budget. It also includes Schedules of Funding Progress and Employer Contributions for Retiree Health Insurance Coverage.

Other Information

The supplementary combining statements referred to earlier in connection with non-major governmental and proprietary funds and internal service funds are presented immediately following the required supplementary information and can be found on pages 70-90 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rapid City, assets exceeded liabilities by \$836,332,752 at the close of the most recent fiscal year.

By far the largest portion of the City of Rapid City's total assets (81%) reflects 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 City of Rapid City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rapid City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a comparison between the current and prior year's assets, liabilities and changes in net position.

CITY OF RAPID CITY'S NET POSITION
(in thousands)

	Government Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
<u>Assets:</u>						
Current and Other Assets	\$ 86,924	\$ 99,012	\$ 109,213	\$ 109,419	\$ 196,138	\$ 208,431
Capital Assets	286,958	289,940	507,885	525,337	794,842	815,276
Deferred Outflows	13,259	12,831	4,880	4,479	18,139	17,310
Total Assets	<u>387,141</u>	<u>401,783</u>	<u>621,978</u>	<u>639,234</u>	<u>1,009,119</u>	<u>1,041,017</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	59,159	53,377	130,260	128,609	189,419	181,986
Other liabilities	18,196	15,946	9,149	6,752	27,345	22,698
Deferred Inflows	-	-	-	-	-	-
Total liabilities	<u>77,355</u>	<u>69,323</u>	<u>139,409</u>	<u>135,362</u>	<u>216,764</u>	<u>204,684</u>
<u>Net position:</u>						
Net Investment in capital assets	228,188	234,939	379,429	443,680	607,617	678,619
Restricted	17,974	23,936	56,592	12,396	74,566	36,332
Unrestricted	63,625	73,585	46,548	47,797	110,173	121,382
Total net position	<u>\$ 309,786</u>	<u>\$ 332,460</u>	<u>\$ 482,569</u>	<u>\$ 503,872</u>	<u>\$ 792,355</u>	<u>\$ 836,333</u>

A portion of the City of Rapid City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$121,381,904 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rapid City 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.

Changes in Net Assets:
City of Rapid City's Changes in Net Position
(In Thousands)

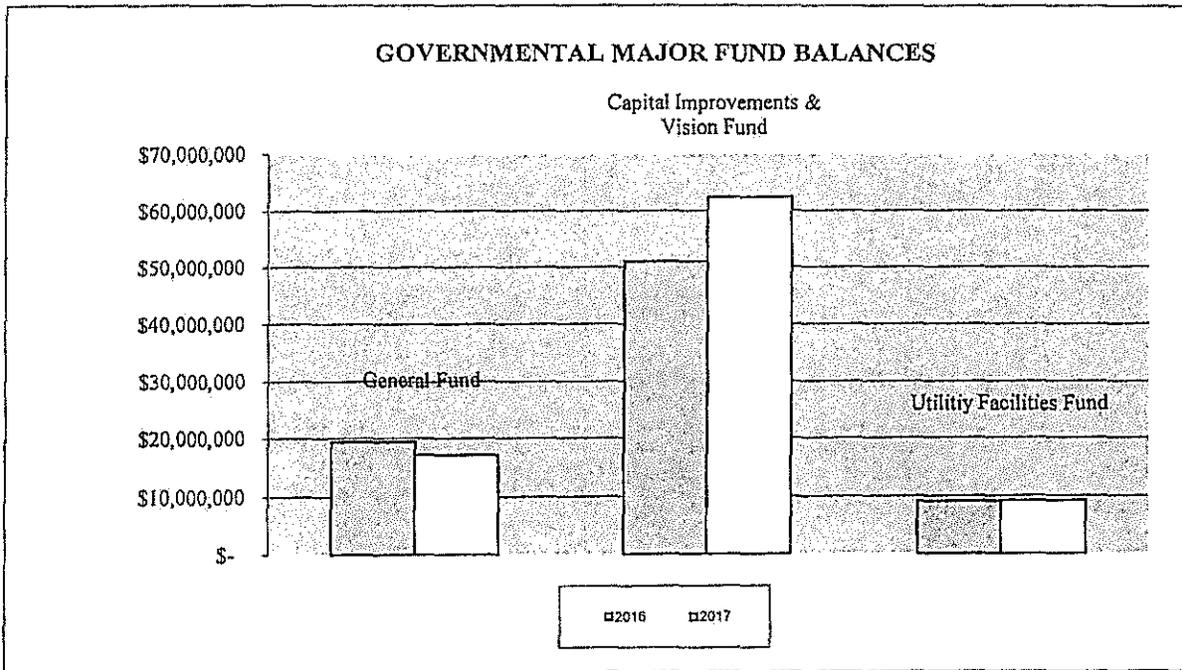
	Governmental Activities		Business-type Activities		Total	
	2106	2017	2016	2017	2016	2017
Revenues:						
Program Revenues						
Charges for services	\$ 6,677	\$ 7,930	\$ 58,560	\$ 59,603	\$ 65,237	\$ 67,532
Operating grants & contributions	1,818	2,399	27	-	1,845	2,399
Capital grants and contributions	6,662	3,205	14,985	15,195	21,647	18,400
General Revenues						
Property taxes	23,698	25,108	-	-	23,698	25,108
Other taxes	57,068	59,033	5,228	5,227	62,296	64,260
State/County shared revenue	2,164	2,118	-	-	2,164	2,118
Unrestricted investment earnings	527	1,078	1,294	822	1,821	1,900
Other	446	1,277	(348)	525	98	1,802
Total Revenues	99,060	102,147	79,746	81,372	178,806	183,519
Expenses:						
General government	5,044	4,993	-	-	5,044	4,993
Public safety	28,859	27,942	-	-	28,859	27,942
Public works	20,675	19,236	-	-	20,675	19,236
Health and welfare	2,247	3,388	-	-	2,247	3,388
Culture & recreation	12,451	14,246	-	-	12,451	14,246
Conservation & development	14,297	3,024	-	-	14,297	3,024
Interest on long-term debt	1,089	3,502	-	-	1,089	3,502
Miscellaneous	1,913	1,950	-	-	1,913	1,950
Water reclamation	-	-	14,256	8,768	14,256	8,768
Water	-	-	8,088	15,008	8,088	15,008
Golf	-	-	1,279	1,207	1,279	1,207
Executive Golf	-	-	274	271	274	271
Airport	-	-	8,696	8,529	8,696	8,529
Waste collection	-	-	2,352	2,367	2,352	2,367
Waste disposal	-	-	6,524	6,662	6,524	6,662
Civic center	-	-	11,442	10,956	11,442	10,956
Stormwater	-	-	1,554	1,910	1,554	1,910
Cemetery	-	-	326	-	326	-
Parking	-	-	556	494	556	494
Energy plant	-	-	689	716	689	716
Transportation terminal	-	-	259	243	259	243
Ambulance	-	-	4,074	4,131	4,074	4,131
Total Expenses	86,576	78,280	51,491	61,261	146,943	139,541
Excess revenues before contributions, transfers special and extraordinary items	12,484	23,867	28,255	20,111	31,863	43,978
Fund Transfers	(8,128)	(1,193)	8,128	1,193	-	-
Change in Net Position	4,356	22,674	27,507	21,304	31,863	43,978
Net Position, beginning, as previously reported	305,430	309,786	455,062	482,569	760,492	792,355
NET POSITION – ENDING	\$ 309,786	\$ 332,460	\$ 482,569	\$ 503,873	\$ 792,355	\$ 836,333

Financial Analysis of the Government's funds

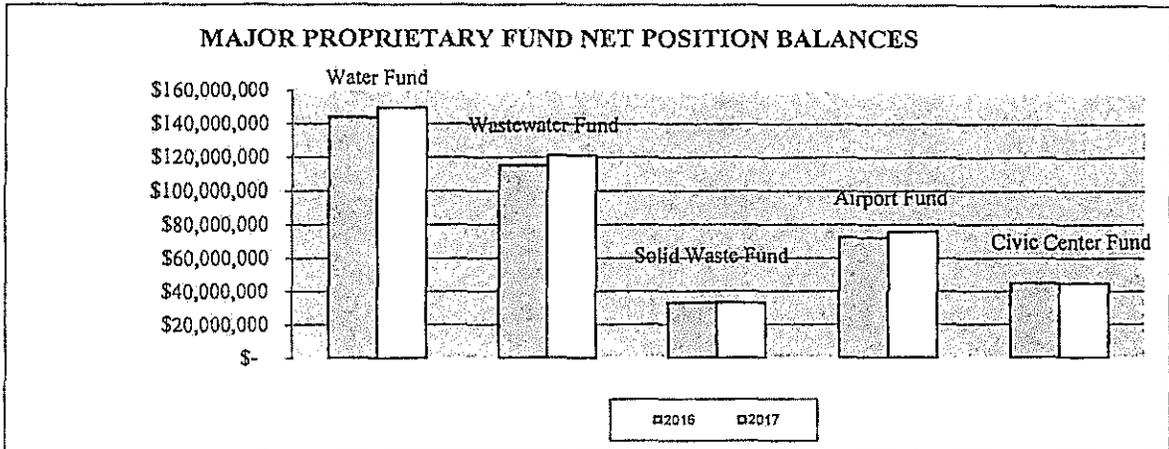
Governmental Funds The focus of the City of Rapid City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Rapid City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Rapid City's governmental funds reported combined ending fund balances of \$82,703,210. Approximately 5% of this total amount \$4,072,771 constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as 1) nonspendable (for inventories, notes receivable, advances to other funds, and perpetual care cemetery endowment of \$4,374,811), 2) restricted (for debt service, perpetual care cemetery, library, business improvement districts, capital projects and grants of \$10,875,066), 3) Committed (for capital improvements/replacements, capital improvements & vision and the erosion and sediment control funds of \$61,921,322.), 4) Assigned (for next year's appropriations for \$1,459,239).

The General Fund balance decreased by (\$2,305,475) in 2017, which was primarily due to using undesignated cash to subsidize revenue shortfalls of other funds within the General Fund. The Capital Improvements & Vision Fund increased \$11,348,142 due to the increase in unspent funds committed to capital improvement projects. The Utility Facilities Fund balance increased \$113,200 which is considered reasonable with regards to the activity associated with this fund.



Proprietary Funds The City of Rapid City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.



The unrestricted net positions in the respective major proprietary funds are: Water - \$7,420,564, Wastewater - \$8,495,830, Solid waste – \$5,694,820, Airport - \$9,633,165 and Civic Center - \$3,619,097.

Budgetary Highlights

General Fund. Supplemental appropriations primarily involved grant funds or “windfalls.” It is not legally required to officially supplement the budget. It is the practice of the City of Rapid City to do so to provide full public disclosure. The City of Rapid City’s budget to actual schedules for major governmental funds can be found on pages 62-65. In general, total expenditures for each of these funds did not exceed budgeted amounts.

Capital Asset and Debt Administration

Capital Assets The City of Rapid City’s net investment in capital assets for its governmental and business type activities as of December 31, 2017 amounts to \$678,619,149 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

Major capital asset events during the current fiscal year included the following: reconstruction of Baldwin Street, Omaha Street and Segar Drive, East Rapid Water and Southside Drive Sewer expansion projects, Landfill Cell 17 closure, Airport improvement projects; various infrastructure improvements as well as replacement of multiple vehicles and large pieces of equipment.

Capital Assets and Debt Administration – Continued

City of Rapid City's Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
	Land and land improvements	\$ 45,652	\$ 45,677	\$ 16,434	\$ 16,899	\$ 62,086
Buildings	87,550	88,846	191,431	191,626	278,981	280,473
Improvements	316,988	340,979	459,787	498,136	776,775	839,115
Machinery and equipment	32,441	34,552	32,252	35,291	64,693	69,843
Construction in Progress	14,982	7,135	24,707	15,899	39,689	23,034
Total	497,613	517,189	724,611	757,852	1,222,224	1,275,041
Less accumulated depreciation	(210,656)	(227,249)	(216,726)	(232,515)	(427,382)	(459,764)
Total capital assets	\$ 286,957	\$ 289,940	\$ 507,885	\$ 525,337	\$ 794,842	\$ 815,277

Long-term debt

City of Rapid City's Outstanding Debt (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
	Revenue Bonds	\$ 19,316	\$ 18,355	\$ 125,808	\$ 124,111	\$ 145,124
Unamortized Premium/Discounts	706	662	2,141	2,313	2,847	2,975
Revolving Loan	784	441	-	-	784	441
Landfill Closure	-	-	2,620	2,275	2,620	2,275
Tax Increment Financing	33,157	31,097	-	-	33,157	31,097
Lease/Purchase	4,807	4,446	506	280	5,313	4,726
Other Post Employment Benefits	2,987	3,136	1,247	1,586	4,234	4,722
Compensated Absences	1,754	1,950	854	881	2,608	2,831
Total	\$ 63,511	\$ 60,087	\$ 133,176	\$ 131,446	\$ 196,687	\$ 191,533

The City of Rapid City maintains an AAA to Baa2 rating from Moody's on all of its revenue debt.

State statute limits the amount of general obligation debt a South Dakota city may issue to assessed value of taxable property. The current debt limitation for the City of Rapid City is \$1,598,486,052. \$87,718,902 of the City's outstanding debt is counted within the statutory limitation although the debt is wholly or partially financed by revenues other than a general tax levy.

Additional information on the City of Rapid City's long-term debt can be found in Note 7 to the Financial Statements.

Known fact, decisions or conditions

There are no known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

Requests for Information This financial report is designed to provide a general overview of the City of Rapid City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Rapid City, Finance Officer, 300 Sixth Street, Rapid City, SD 57701. Component unit financial statements may be obtained by contacting the Museum Alliance of Rapid City, Inc. at 222 New York St., Rapid City SD 57701.

**CITY OF RAPID CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS:				
Cash & Cash Equivalents (Note 2)	\$ 61,251,907	\$ 28,902,379	\$ 90,154,286	\$ -
Investments (Note 2)	30,493,149	7,448,960	37,942,109	
Accounts Receivable, Net (Note 3)	9,110,982	9,234,735	18,345,717	3,783
Internal Balances (Note 9)	(6,903,221)	6,903,221	-	
Due from Other Governments (Note 4)	930,195	1,168,401	2,098,596	
Other Assets	643,186	238,177	881,363	75,554
Net Pension Asset (Note 11)	180,022	203,154	383,176	
Restricted Assets:				
Cash with Fiscal Agent (Note 2)	3,159,544	53,044,671	56,204,215	
Restricted Cash (Notes 2 and 16)	146,834	-	146,834	32,228
Restricted Investments (Notes 2)	-	2,275,000	2,275,000	88,085
Capital Assets (Note 5):				
Land and Construction in Progress	52,811,969	32,798,438	85,610,407	
Other Capital Assets, Net of Depreciation	237,127,917	492,538,313	729,666,230	76,224
TOTAL ASSETS	388,952,484	634,755,449	1,023,707,933	275,874
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows (Note 11)	12,831,044	4,478,562	17,309,606	
Total Deferred Outflows of Resources:	12,831,044	4,478,562	17,309,606	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES	401,783,528	639,234,011	1,041,017,539	275,874
LIABILITIES:				
Accounts Payable	8,495,699	1,874,623	10,370,322	34,931
Other Current Liabilities (Note 7)	7,450,689	4,877,599	12,328,288	16,576
Noncurrent Liabilities (Notes 7, 12 and 16)	53,376,812	128,609,365	181,986,177	-
TOTAL LIABILITIES	69,323,200	135,361,587	204,684,787	51,507
NET POSITION:				
Net Investment in Capital Assets	234,938,930	443,680,219	678,619,149	76,224
Restricted for:				
Debt Service	1,570,939	7,713,851	9,284,790	-
Cemetery Trust Fund - Expendable	47,750	-	47,750	-
Cemetery Trust Fund - Nonexpendable	50,000	-	50,000	-
Other Purposes - TID Debt Service	3,166,710	-	3,166,710	-
Other Purposes - Dwnth Business Impr District	1,253	-	1,253	-
Other Purposes - Business Impr District	9,145	-	9,145	-
Other Purposes - Grants	84,867	-	84,867	-
Other Purposes - Component Unit	-	-	-	67,053
Other Purposes - Library	33,402	-	33,402	-
Other Purposes - Pension	13,011,066	4,681,716	17,692,782	-
Other Purposes - Capital Projects	5,961,000	-	5,961,000	-
Unrestricted (Note 13)	73,585,266	47,796,638	121,381,904	81,090
TOTAL NET POSITION	332,460,328	503,872,424	836,332,752	224,367
TOTAL LIABILITIES AND NET POSITION	\$ 401,783,528	\$ 639,234,011	\$ 1,041,017,539	\$ 275,874

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

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

	----- Program Revenues -----				Net (Expense) Revenue and ----- Changes in Net Position -----			Component Unit MARC
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary Government								
Governmental Activities:								
General Government	\$ 4,992,783	\$ 830,865	\$ 20,000	\$ -	\$ (4,141,918)	\$ -	\$ (4,141,918)	\$ -
Public Safety	27,941,861	2,232,326	982,170	-	(24,727,365)	-	(24,727,365)	-
Public Works	19,235,731	534,838	-	7,519,718	(11,181,175)	-	(11,181,175)	-
Health and Welfare	3,387,720	378,792	652,128	742,622	(1,614,178)	-	(1,614,178)	-
Culture, Recreation	14,245,723	2,060,251	16,990	-	(12,168,482)	-	(12,168,482)	-
Conservation and Development	8,081,364	1,813,749	727,333	-	(5,540,282)	-	(5,540,282)	-
Interest on Long Term Debt (1)	3,502,216	-	-	-	(3,502,216)	-	(3,502,216)	-
Miscellaneous Expenditures	1,950,023	78,748	-	-	(1,871,275)	-	(1,871,275)	-
Total Governmental Activities	83,337,421	7,929,569	2,398,621	8,262,340	(64,746,891)	-	(64,746,891)	-
Business-Type Activities:								
Water	15,007,717	16,804,095	-	4,151,087	-	5,947,465	5,947,465	-
Water Reclamation	8,767,690	10,887,247	-	1,891,212	-	4,010,769	4,010,769	-
Airport	8,528,742	8,318,100	-	3,496,665	-	3,286,023	3,286,023	-
Solid Waste Disposal	6,661,849	6,177,326	-	195,134	-	(289,389)	(289,389)	-
Civic Center	10,955,981	5,815,613	-	-	-	(5,140,368)	(5,140,368)	-
Solid Waste Collection	2,366,815	2,755,667	-	-	-	388,852	388,852	-
Stormwater Utility	1,909,880	2,464,820	-	5,441,120	-	5,996,060	5,996,060	-
Executive Golf Course	270,917	191,744	-	-	-	(79,173)	(79,173)	-
Golf Course	1,207,091	915,170	-	19,840	-	(272,081)	(272,081)	-
Parking Lot & Area	494,026	667,563	-	-	-	173,537	173,537	-
Energy Plant	716,064	596,856	-	-	-	(119,208)	(119,208)	-
Ambulance	4,131,393	3,996,173	-	-	-	(135,220)	(135,220)	-
Transportation Terminal	242,523	12,298	-	-	-	(230,225)	(230,225)	-
Total Business-type Activities	61,260,688	59,602,672	-	15,195,058	-	13,537,042	13,537,042	-
Total Primary Government	\$ 144,598,109	\$ 67,532,241	\$ 2,398,621	\$ 23,457,398	\$ (64,746,891)	\$ 13,537,042	\$ (51,209,848)	\$ -
Component Unit:								
Museum Alliance of Rapid City, Inc. (MARC)	\$ 749,385	\$ 294,637	\$ 417,443					\$ (37,305)
General Revenues:								
Taxes:								
Property Taxes					25,108,193	-	25,108,193	-
Sales Taxes					55,916,301	5,028,721	60,945,022	-
Other Taxes					3,116,393	198,701	3,315,094	-
State Shared Revenue					1,570,108	-	1,570,108	-
County Shared Revenue					548,043	-	548,043	-
Unrestricted Investment Earnings					1,078,176	821,618	1,899,794	3,303
Miscellaneous Revenue					1,334,189	544,069	1,878,258	-
(Loss) on disposal of Capital Assets					(57,934)	(19,205)	(77,139)	-
Transfers					(1,192,671)	1,192,671	-	-
Total General Revenue, Loss and Transfers					87,420,798	7,766,575	95,187,373	3,303
Change in Net Position					22,673,907	21,303,617	43,977,524	(34,002)
Net Position, Beginning, as previously reported					309,786,421	482,568,807	792,355,228	258,369
Net Position, Ending					\$ 332,460,328	\$ 503,872,424	\$ 836,332,752	\$ 224,367

(1) The City 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.

**CITY OF RAPID CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	Capital Improvements & Vision Fund	Utility Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
101 Cash and Cash Equivalents (Note 2)	\$ 4,491,872	\$ 40,814,737	\$ 355,174	\$ 3,606,160	\$ 49,267,943
102 Restricted Cash (Note 2)	-	-	-	146,834	146,834
106 Cash with Fiscal Agent, Restricted (Note 2)	-	-	3,159,544	-	3,159,544
151 Investments (Note 2)	6,807,855	18,593,355	3,972,423	42,387	29,416,020
110 Property Taxes Receivable--Delinquent	224,612	-	-	107,745	332,357
110 Sales Tax Receivable	3,117,457	3,116,920	541,726	-	6,776,103
115 Accounts Receivable, Net	575,959	-	-	92,679	668,638
121 Special Assessments Receivable--Current	20,843	-	-	5,608	26,451
122 Special Assessments Receivable--Delinquent	6,810	-	-	26,727	33,537
123 Special Assessments Receivable--Deferred	194,343	-	-	-	194,343
128 Notes Receivable	476,900	204,622	-	-	681,522
131 Due from Other Funds (Note 9)	167,815	19,886	836,942	-	1,024,643
133 Advance to Other Funds (Note 9)	1,019,564	1,619,886	360,653	-	3,000,103
132 Due from Other Governments (Note 4)	836,014	-	-	94,181	930,195
135 Interest Receivable	88,445	67,973	21,664	1,417	179,499
144 Inventory	643,186	-	-	-	643,186
TOTAL ASSETS	18,671,675	64,437,379	9,248,126	4,123,738	96,480,918
LIABILITIES, DEFERRED INFLOWS OF RESOURCES:					
Liabilities:					
201 Claims Payable	844,086	2,091,503	-	543,352	3,478,940
216 Wages Payable	438,876	-	-	8,812	447,688
208 Due to Other Funds (Note 9)	-	-	-	869,627	869,627
209 Advance from Other Funds (Note 9)	-	-	-	8,655,797	8,655,797
Total Liabilities	1,282,962	2,091,503	-	10,077,588	13,452,052
Deferred Inflows of Resources:					
245 Unavailable Revenue -- Property Taxes	55,243	-	-	43,007	98,250
246 Unavailable Revenue -- Special Assessments	227,406	-	-	-	227,406
Total Deferred Inflows of Resources:	282,649	-	-	43,007	325,656
Fund Balances:					
263 Nonspendable	-	-	-	-	-
263.01 Inventory	643,186	-	-	-	643,186
263.04 Advances	1,019,564	-	-	-	1,019,564
263.05 Notes Receivables	476,900	-	-	-	476,900
263.51 Perpetual Care Cemetery	-	-	-	50,000	50,000
264 Restricted	-	-	-	-	-
264.01 Debt Service	-	-	1,570,939	3,166,710	4,737,649
264.02 Capital Projects	-	-	5,961,000	-	5,961,000
264.03 Cemetery Perpetual Care	-	-	-	47,750	47,750
264.05 Library	-	-	-	33,402	33,402
264.09 Business Improvement District	-	-	-	10,398	10,398
264.97 Grant	-	-	-	84,867	84,867
265 Committed	-	-	-	-	-
265.02 Capital Replacements	-	-	1,716,187	-	1,716,187
265.04 Vision & Capital Improvements	-	62,345,876	-	-	62,345,876
265.99 Erosion/Sediment Control	-	-	-	44,420	44,420
266 Assigned	-	-	-	-	-
266.01 Assigned for Next Year's Appropriation	1,459,239	-	-	-	1,459,239
267 Unassigned (Note 13)	13,507,175	-	-	(9,434,404)	4,072,771
Total Fund Balances	17,106,064	62,345,876	9,248,126	(5,996,857)	82,703,210
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND UND BALANCES	\$ 18,671,675	\$ 64,437,379	\$ 9,248,126	\$ 4,123,738	\$ 96,480,918

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

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

Total Fund Balances - Governmental Funds	\$	82,703,210
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		180,022
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		289,939,886
Pension related deferred outflows are components of the net pension asset and therefore not reported in the funds.		12,831,044
Long term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds.		(60,087,159)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(212,965)
Property Taxes (delinquent) and special assessments (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		325,656
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the statement of net position.		6,780,634
Total Net Position - Governmental Activities	<u>\$</u>	<u>332,460,328</u>

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

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

	General Fund	Capital Improvements & Vision Fund	Utility Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
310 Taxes:					
311 General Property Taxes	\$ 16,542,511	\$ -	\$ -	\$ 8,467,432	\$ 25,009,943
313 General Sales and Use Taxes	25,721,941	25,721,884	4,472,476	-	55,916,301
314 Gross Receipts Business Taxes	674,563	-	-	1,561,626	2,236,189
320 Licenses and Permits	2,578,238	-	-	-	2,578,238
330 Intergovernmental Revenue:					
331 Federal Grants	2,472,031	-	-	488,597	2,960,628
334 State Grants	57,838	-	-	-	57,838
334.02 Surface Transportation Program (STP)	-	2,696,298	-	-	2,696,298
335 State Shared Revenue:					
335.01 Bank Franchise Tax	158,155	-	-	-	158,155
335.03 Liquor Tax Reversion	441,526	-	-	-	441,526
335.04 Motor Vehicle Licenses (5%)	33,486	-	-	-	33,486
335.06 Fire Insurance Reversion	240,225	-	-	-	240,225
335.08 Local Government Highway and Bridge Fund	696,716	-	-	-	696,716
338 County Shared Revenue:					
338.01 County Road Tax (25%)	548,043	-	-	-	548,043
340 Charges for Goods and Services:					
341 General Government	302,795	-	-	-	302,795
342 Public Safety	2,162,522	-	-	-	2,162,522
343 Public Works	118,469	-	-	-	118,469
345 Health & Welfare	373,117	-	-	-	373,117
346 Culture and Recreation	1,990,310	-	-	-	1,990,310
348 Cemetery	229,947	-	-	11,597	241,544
349 Conservation & Development	-	-	-	78,748	78,748
350 Fines and Forfeits:					
351 Court Fines and Costs	13,885	-	-	-	13,885
354 Library	-	-	-	69,941	69,941
360 Miscellaneous Revenue:					
361 Interest Earnings	322,855	522,478	223,413	9,430	1,078,176
362 Rentals	203,843	-	-	-	203,843
363 Special Assessments	266,247	183,262	-	203,289	652,798
367 Contributions and Donations	-	106,907	-	48,521	155,428
369 Other	42,222	188,222	2,855	193,576	426,875
Total Revenue	56,191,485	29,419,051	4,698,744	11,132,757	101,442,036
Expenditures:					
410 General Government:					
412 Executive-Mayor & Council	843,082	-	-	-	843,082
414 Financial - Community Resources	1,219,643	165,014	-	-	1,384,657
414 Financial - Finance	817,445	-	-	-	817,445
414 Financial - Attorney	227,665	-	-	-	227,665
419 Other - Government Buildings	701,268	289,970	-	-	991,238
420 Public Safety:					
421 Police	15,889,250	-	-	-	15,889,250
422 Fire	11,123,218	-	-	-	11,123,218
429 Other Protection-Code Enforcement	185,854	-	-	-	185,854
429 Other Protection-ACE	1,576,230	-	-	-	1,576,230
429 Other Protection-Emergency Mgt	137,510	-	-	-	137,510

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

	General Fund	Capital Improvements & Vision Fund	Utility Facilities Fund	Other Governmental Funds	Total Governmental Funds
430 Public Works:					
431 Highways and Streets	5,184,907	21,468	-	-	5,206,375
43x Administration	799,875	1,723,248	-	-	2,523,123
440 Health and Welfare:					
441 Health	497,494	-	-	-	497,494
444 Humane Society	298,896	-	-	-	298,896
449 Other - Public Transit	2,039,514	-	-	-	2,039,514
449 Other - Air Quality	61,415	-	-	-	61,415
450 Culture and Recreation:					
451 Recreation	389,469	15,256	-	-	404,725
451 Swimming Pools	2,100,920	-	-	-	2,100,920
451 Ice Arena	608,168	-	-	-	608,168
452 Parks	2,626,855	-	-	-	2,626,855
455 Libraries	3,335,005	-	-	49,230	3,384,235
457 Historical Preservation	17,093	-	-	-	17,093
459 Other - Parks & Rec Administration	672,273	-	-	-	672,273
459 Other - Retired Senior (RSVP)	-	-	-	114,580	114,580
459 Other - Cemetery	287,047	-	-	73	287,120
459 Other - Subsidies	799,338	-	-	-	799,338
460 Conservation and Development:					
465 Economic Development	417,500	5,882,872	-	183,483	6,483,855
465 Community Development	55,710	-	-	682,820	738,530
465 Transportation Planning	415,400	-	-	-	415,400
465 GIS Information System	164,053	-	-	-	164,053
470 Debt Service	263,617	652,363	1,574,152	7,223,246	9,713,378
485 Capital Outlay	4,587,615	11,280,585	-	1,435,138	17,303,338
490 Miscellaneous:					
492 Other Expenditures	-	-	-	1,950,023	1,950,023
Total Expenditures	<u>58,343,329</u>	<u>20,030,776</u>	<u>1,574,152</u>	<u>11,638,593</u>	<u>91,586,850</u>
Excess of Revenue Over (Under) Expenditures	<u>(2,151,845)</u>	<u>9,388,275</u>	<u>3,124,592</u>	<u>(505,836)</u>	<u>9,855,187</u>
Other Financing Sources (Uses):					
391.01 Transfers In (Out) (Note 9)	(176,146)	1,959,867	(3,011,392)	35,000	(1,192,671)
391.02 Long-term debt issued (Note 7)	-	-	-	2,380,110	2,380,110
391.03 Sale of Municipal Property	22,516	-	-	-	22,516
Total Other Financing Sources (Uses)	<u>(153,630)</u>	<u>1,959,867</u>	<u>(3,011,392)</u>	<u>2,415,110</u>	<u>1,209,955</u>
Net Change in Fund Balances	(2,305,475)	11,348,142	113,200	1,909,274	11,065,142
Fund Balance (Deficit) - Beginning	19,411,539	50,997,734	9,134,926	(7,906,131)	71,638,068
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 17,106,064</u>	<u>\$ 62,345,876</u>	<u>\$ 9,248,126</u>	<u>\$ (5,996,857)</u>	<u>\$ 82,703,210</u>

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

CITY OF RAPID CITY
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 government funds	\$ 11,065,142
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital Outlay	17,303,338
Depreciation	(16,943,821)
	359,517
Capital assets contributed to the City by development.	5,057,300
Capital assets transferred to proprietary funds.	(2,354,121)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position (net of premium).	6,211,162
Debt proceeds, including premiums are a revenue in the governmental funds but the proceeds increase long-term liabilities in the statement of net position.	(2,442,422)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. The amount represents the change in accrued interest during the current period.	60,444
In the Statement of Activities, the gains and losses on disposal of capital assets are reported, whereas in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(80,450)
Other post employment benefit obligations are expenditures in the governmental funds when they are incurred and they are recorded as a liability in the statement of net position.	(149,245)
Governmental funds report property taxes, special assessments and grants as revenue when funds become available, but the statement of activities includes the property tax, special assessments and grants as revenue when earned.	25,387
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.	(195,413)
Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds has been prorated to governmental activities and business-type activities based on the proportionate share of wages.	(733,836)
Changes in the pension related deferred outflows/inflows, pension liability/asset and related pension expenses/revenue are not reported as expenditures in the governmental fund statements.	5,850,442
Change in Net Position of Governmental Activities	\$ 22,673,907

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

**CITY OF RAPID CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<i>Enterprise Funds</i>				
	Water Fund	Wastewater Fund	Solid Waste Disposal Fund	Airport Fund	Civic Center Enterprise Fund
ASSETS:					
Current Assets:					
101 Cash and Cash Equivalents (Note 2)	\$ 6,664,518	\$ 451,623	\$ 1,878,998	\$ 8,842,762	\$ 3,383,948
106 Cash with Fiscal Agent, Restricted (Note 2)	50,243,184	1,153,430	-	1,470,677	-
107 Restricted Investments (Notes 2, 16)	-	-	2,275,000	-	-
151 Investments (Notes 2)	1,760,894	1,741,258	3,550,154	-	87,092
115 Accounts Receivable	719,888	607,395	532,201	291,593	91,445
116 Estimated Uncollectable Accounts Receivable	(190,000)	(175,000)	(25,000)	(45,000)	-
117 Unbilled Accounts Receivable	749,363	596,021	161,908	-	-
110 Sales Tax Receivable	-	-	25,068	-	429,891
121 Special Assessments Receivable--Current	-	-	-	-	-
122 Special Assessments Receivable--Delinquent	-	-	-	-	-
131 Due from Other Funds (Note 9)	-	-	-	-	199,252
132 Due from Other Government (Note 4)	6,271	-	-	1,103,510	16,906
135 Interest Receivable	124,308	13,375	19,299	1,935	289
142 Inventory of Stores Purchased for Resale	75,556	23,814	-	-	113,903
Total Current Assets	60,153,982	4,411,916	8,417,628	11,665,477	4,322,726
Noncurrent Assets:					
133 Advance to Other Funds (Note 9)	-	5,815,139	-	-	-
157 Unamortized Discount (Note 7)	-	-	-	7,811	231,800
196 Net Pension Asset (Note 11)	68,852	-	29,540	23,126	65,575
Capital Assets (Note 5):					
160 Land	6,531,029	1,044,761	2,499,851	1,084,000	1,091,682
162 Buildings	23,173,285	35,309,829	18,277,241	41,428,712	62,269,429
164 Improvements Other than Bldg	213,142,285	120,993,767	13,342,592	77,913,477	10,817,492
164 Furniture & Equipment	952,662	1,508,191	2,959,594	2,644,091	4,061,743
166 Machinery and Equipment	1,025,344	1,824,160	5,640,315	5,793,378	791,989
168 Construction Work in Progress	7,933,198	2,789,037	271,281	2,013,760	169,277
Less: Accumulated Depreciation	(62,628,396)	(43,033,182)	(15,944,282)	(53,580,902)	(35,749,654)
Total Noncurrent Assets	190,198,259	126,251,702	27,076,132	77,327,453	43,749,333
Deferred Outflows of Resources:					
196 Pension Related Deferred Outflows	669,684	517,247	468,543	566,884	781,080
Total Deferred Outflows of Resources:	669,684	517,247	468,543	566,884	781,080
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES	\$ 251,021,925	\$ 131,180,865	\$ 35,962,303	\$ 89,559,814	\$ 48,853,139
LIABILITIES, DEFERRED INFLOWS OF RESOURCES:					
Current Liabilities:					
202 Accounts Payable (Note 15)	\$ 726,099	\$ 453,643	\$ 183,773	\$ 197,627	\$ 84,948
208 Due to Other Funds (Note 9)	-	-	-	-	-
215 Accrued Interest Payable	286,534	44,916	-	66,058	27,412
220 Customer Deposits	972,044	-	-	-	-
216 Wages Payable	60,832	43,772	41,552	46,978	95,640
226 OPEB Current Obligations (Note 12)	55,006	40,535	38,186	34,737	69,724
226 Bonds Payable Current (Note 7)	579,807	1,080,167	-	495,000	265,000
226 Notes Payable Current (Note 7)	-	-	-	-	-
226 Capital Lease Payable Current (Note 7)	-	-	-	-	-
230 Compensated Absences Payable - Current (Note 7)	15,000	5,000	6,500	5,000	10,000
Total Current Liabilities	2,695,322	1,668,033	270,011	845,400	552,724
Noncurrent Liabilities:					
157 Unamortized Premium (Note 7)	2,595,686	-	-	-	-
209 Advance from Other Funds (Note 9)	-	-	-	-	-
231 OPEB Long-Term Obligations (Note 7)	203,637	150,064	141,368	128,598	224,804
231 Bonds Payable (Note 7)	95,874,564	8,230,962	-	12,710,000	3,140,000
231 Notes Payable (Note 7)	-	-	-	-	-
231 Capital Lease Payable (Note 7)	-	-	-	-	-
233 Accrued Leave Payable (Note 7)	171,082	107,147	36,429	82,637	191,101
235 Accrued Landfill Closure and Postclosure (Notes 7 & 16)	-	-	2,275,000	-	-
Total Noncurrent Liabilities	98,844,969	8,488,173	2,452,797	12,921,235	3,555,905
TOTAL LIABILITIES:	101,540,291	10,156,206	2,722,808	13,766,635	4,108,629
NET POSITION:					
253.10 Net Investment in Capital Assets	136,059,350	111,125,434	27,046,592	64,099,327	40,278,758
253.20 Restricted Net Position, Restricted for:					
253.22 Revenue Bond Retirement	5,263,184	886,148	-	1,470,677	-
253.29 SDRS - Pension	738,536	517,247	498,083	590,010	846,655
253.90 Unrestricted Net Position	7,420,564	8,495,830	5,694,820	9,633,165	3,619,097
TOTAL NET POSITION	149,481,634	121,024,659	33,239,495	75,793,179	44,744,510
TOTAL LIABILITIES AND FUND BALANCES	\$ 251,021,925	\$ 131,180,865	\$ 35,962,303	\$ 89,559,814	\$ 48,853,139

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

Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 7,680,530	\$ 28,902,379	\$ 11,983,964
177,380	53,044,671	-
-	2,275,000	-
309,562	7,448,960	1,077,129
9,149,264	11,391,786	214,572
(6,250,000)	(6,685,000)	-
40,477	1,547,769	-
15,164	470,123	-
2,335,811	2,335,811	-
13,937	13,937	-
-	199,252	-
41,714	1,168,401	-
1,103	160,309	3,960
24,904	238,177	-
<u>13,539,846</u>	<u>102,511,575</u>	<u>13,279,625</u>
-	5,815,139	-
42,621	282,232	-
16,061	203,154	-
4,648,037	16,899,360	-
11,167,791	191,626,287	-
61,926,597	498,136,210	-
5,332,816	17,459,097	-
2,756,357	17,831,543	-
2,722,525	15,899,078	-
(21,578,408)	(232,514,824)	-
<u>67,034,397</u>	<u>531,637,276</u>	<u>-</u>
1,475,124	4,478,562	-
<u>1,475,124</u>	<u>4,478,562</u>	<u>-</u>
\$ 82,049,367	\$ 638,627,413	\$ 13,279,625
\$ 228,533	\$ 1,874,623	\$ 5,374,470
353,969	353,969	-
12,890	437,810	-
-	972,044	-
60,060	348,834	4,210
106,244	344,432	-
135,000	2,554,974	-
51,380	51,380	-
116,625	116,625	-
10,000	51,500	-
<u>1,074,701</u>	<u>7,106,191</u>	<u>5,378,680</u>
-	2,595,686	-
159,744	159,744	-
393,319	1,241,790	-
1,600,000	121,555,526	-
84,567	84,567	-
26,968	26,968	-
241,432	829,828	-
-	2,275,000	-
<u>2,506,030</u>	<u>128,769,109</u>	<u>-</u>
<u>3,580,731</u>	<u>135,875,300</u>	<u>5,378,680</u>
65,070,758	443,680,219	-
93,842	7,713,851	-
1,491,185	4,681,716	-
<u>11,812,851</u>	<u>46,676,327</u>	<u>7,900,945</u>
<u>78,468,636</u>	<u>502,752,113</u>	<u>7,900,945</u>
\$ 82,049,367	\$ 638,627,413	\$ 13,279,625

CITY OF RAPID CITY
RECONCILIATION OF THE PROPRIETARY FUNDS NET POSITION
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Net Position - Enterprise Funds \$ 502,752,113

Amounts reported for business-type activities in the statement
of net position are different because:

Internal service funds are used by management to charge the
costs of activities, such as insurance, to individual funds.
Certain amounts reported for business-type activities in the Statement of Net
Position are different because of the Enterprise Funds' participation
in the activities conducted in the internal service fund

1,120,311

Total Net Position - Business-type Activities

\$ 503,872,424

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

CITY OF RAPID CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2017

	Water Fund	Wastewater Fund	Solid Waste Disposal Fund
Operating Revenue:			
380 Charges for Goods and Services	\$ 16,804,095	10,887,247	\$ 6,177,326
Total Operating Revenues	16,804,095	10,887,247	6,177,326
Operating Expenses:			
410 Personal Services	2,333,202	1,755,663	1,776,437
420 Other Current Expense	3,443,691	3,153,344	3,435,247
426.2 Materials (Cost of Goods Sold)	291,588	44,923	-
457 Depreciation (see Note 5)	4,481,953	3,457,007	1,418,558
Total Operating Expenses	10,550,434	8,410,937	6,630,242
Operating Income (Loss)	6,253,661	2,476,310	(452,916)
Nonoperating Revenue (Expense):			
361 Investment Earnings (Loss)	344,179	267,999	145,814
470 Interest Expense and Fiscal Charges	(4,449,521)	(322,903)	-
366 (Loss) Gain on Disposition of Capital Assets	1,154	(7,493)	(13,985)
369.05 Other Taxes	5,153	61,754	1,488
313 Sales Tax	135	-	111,545
369 Other	59,242	16,521	2,974
Total Nonoperating Revenue (Expense)	(4,039,658)	15,878	247,836
Income (Loss) Before Capital Grants and Transfers	2,214,003	2,492,188	(205,080)
330 Capital Grants	1,450,551	-	-
391.7 Capital Contributions	-	16,512	195,134
391.7 Contributions from Developers/Others	2,794,200	1,874,700	-
391.7 Capital Asset Transfers	(93,664)	-	-
391.1 Transfers In (Out) (see Note 9)	(735,574)	1,649,217	(17,878)
Net Capital Grants, Contributions and Transfers	3,415,513	3,540,429	177,256
Change in Net Position	5,629,516	6,032,617	(27,824)
Net Position - Beginning	143,852,118	114,992,042	33,267,319
NET POSITION - ENDING	\$ 149,481,634	\$ 121,024,659	\$ 33,239,495

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

Enterprise Funds

Airport Fund	Civic Center Enterprise Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
\$ 8,318,100	\$ 5,815,613	\$ 11,600,291	\$ 59,602,672	\$ 9,233,565
8,318,100	5,815,613	11,600,291	59,602,672	9,233,565
1,553,678	4,105,034	5,370,899	16,894,913	98,407
3,187,063	3,873,398	3,170,374	20,263,117	10,174,232
-	887,147	29,236	1,252,894	-
2,868,481	1,916,527	2,500,949	16,643,475	-
7,609,222	10,782,106	11,071,458	55,054,399	10,272,639
708,878	(4,966,493)	528,833	4,548,273	(1,039,074)
29,075	10,022	24,529	821,618	65,006
(890,381)	(123,850)	(86,268)	(5,872,923)	-
-	715	404	(19,205)	-
130,232	74	-	198,701	-
7,044	4,685,904	224,093	5,028,721	-
160,706	101,367	203,259	544,069	-
(563,324)	4,674,232	366,017	700,981	65,006
145,554	(292,261)	894,850	5,249,254	(974,068)
3,496,665	-	-	4,947,216	-
-	-	2,661,970	2,873,616	-
-	-	2,798,990	7,467,890	-
-	-	(93,134)	(186,798)	-
(9,843)	-	306,749	1,192,671	-
3,486,822	-	5,674,575	16,294,595	-
3,632,376	(292,261)	6,569,425	21,543,849	(974,068)
72,160,803	45,036,771	71,899,211	481,208,264	8,875,013
\$ 75,793,179	\$ 44,744,510	\$ 78,468,636	\$ 502,752,113	\$ 7,900,945

CITY OF RAPID CITY
 RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF REVENUES
 EXPENSES AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in net position - Enterprise funds	\$	21,543,849
Amounts reported for business-type activities in the statement of activities are different because:		
Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of Enterprise Funds' participation in the activities conducted in the internal service fund		
		(240,232)
Change in Net Position of Business-type Activities	<u>\$</u>	<u>21,303,617</u>

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

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

	Enterprise Funds			
	Water Fund	Wastewater Fund	Solid Waste Disposal Fund	Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipt from Customers	\$ 16,531,697	\$ 10,919,509	\$ 6,171,000	\$ 8,674,718
Receipt from Interfund Services Provided	-	-	-	-
Payments to Suppliers	(3,680,135)	(3,436,361)	(3,801,451)	(3,468,415)
Payments to Employees	(2,612,331)	(1,963,813)	(1,950,794)	(1,747,073)
Net Cash Provided (Used) by Operating Activities	<u>10,239,231</u>	<u>5,519,335</u>	<u>418,755</u>	<u>3,459,230</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Airport Property Tax and Gross Receipts Tax (Civic Center)	-	-	-	137,276
Internal Activity - (Payment) Receipts to Other Funds	-	-	-	-
Transfers In (Out)	(735,574)	1,649,217	(17,878)	(9,843)
Net Cash Provided (Used) by Operating Subsidies and Transfers	<u>(735,574)</u>	<u>1,649,217</u>	<u>(17,878)</u>	<u>127,433</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Capital Debt	614,904	-	-	-
Capital Grants	1,450,551	-	-	3,496,665
Purchase of Capital Assets	(8,544,556)	(6,327,237)	(2,171,245)	(5,319,742)
Principal Paid on Capital Debt	(338,537)	(1,053,536)	-	(475,000)
Interest Paid on Capital Debt	(4,449,521)	(322,903)	-	(890,381)
Proceeds from Sale of Assets	-	-	-	-
Other Receipts (Payments)	64,530	116,007	116,007	297,982
Net Cash (Used) by capital and related financing Activities	<u>(11,202,629)</u>	<u>(7,587,669)</u>	<u>(2,055,238)</u>	<u>(2,890,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	344,179	265,450	140,260	28,740
Net Cash Provided (Used) by Investing Activities	<u>344,179</u>	<u>265,450</u>	<u>140,260</u>	<u>28,740</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,354,793)</u>	<u>(153,667)</u>	<u>(1,514,101)</u>	<u>724,927</u>
Balances - Beginning	58,262,495	1,758,720	3,393,099	9,588,512
Balances- Ending	<u>\$ 56,907,702</u>	<u>\$ 1,605,053</u>	<u>\$ 1,878,998</u>	<u>\$ 10,313,439</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 6,253,661	\$ 2,476,310	\$ (452,916)	\$ 708,878
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	4,481,953	3,457,007	1,418,558	2,868,481
Landfill Closure & Postclosure Costs	-	-	(345,000)	-
Change in Assets and Liabilities:				
Receivables	(279,513)	32,262	(6,326)	77,740
Inventories	(25,160)	3,399	-	-
Customer Deposits	7,053	-	-	-
Due from other Governments	7,115	-	-	278,878
Accounts and Other Payables	73,251	(241,493)	(21,204)	(281,352)
Accrued Wages Payable	14,196	8,948	6,106	21,129
Accrued Other Post Employment Benefits	62,790	44,909	30,457	2,258
Accrued Leave Payable	12,708	9,883	(230)	10,579
Pension (Asset)/ Liability	(341,304)	(251,603)	(194,826)	(210,397)
Pension Related Deferred Outflows	(27,519)	(20,287)	(15,864)	(16,964)
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,239,231</u>	<u>\$ 5,519,335</u>	<u>\$ 418,755</u>	<u>\$ 3,459,230</u>
Noncash Investing, Capital and Financing Activities:				
Gain (Loss) on Disposal of Capital Assets Not Affecting Operating Income	\$ 1,154	\$ (7,493)	\$ (13,985)	\$ -
Contribution of Assets from Others	2,794,200	1,891,212	195,134	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
101 Cash and Cash Equivalents (Note 2)	\$ 6,664,518	\$ 451,623	\$ 1,878,998	\$ 8,842,762
106 Cash with Fiscal Agent, Restricted (Note 2)	50,243,184	1,153,430	-	1,470,677
	<u>\$ 56,907,702</u>	<u>\$ 1,605,053</u>	<u>\$ 1,878,998</u>	<u>\$ 10,313,439</u>

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

Civic Center Enterprise Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
\$ 5,863,501	\$ 11,772,825	\$ 59,933,250	\$ -
-	-	-	9,247,045
(4,893,003)	(3,171,902)	(22,451,267)	(8,900,702)
(4,297,756)	(5,965,813)	(18,537,580)	(97,020)
(3,327,258)	2,635,110	18,944,403	249,323
4,685,904	-	4,823,180	-
20,000	(314,025)	(294,025)	-
-	344,946	1,230,868	-
4,705,904	30,921	5,760,023	-
-	-	614,904	-
-	-	4,947,216	-
(790,996)	(1,583,158)	(24,736,934)	-
(260,000)	(361,011)	(2,488,084)	-
(123,850)	(86,268)	(5,872,923)	-
-	-	-	-
101,441	424,880	1,120,847	-
(1,073,405)	(1,605,557)	(26,414,974)	-
10,022	59,969	848,620	281,065
10,022	59,969	848,620	281,065
315,263	1,120,443	(861,928)	530,388
3,068,685	6,737,467	82,808,978	11,453,576
\$ 3,383,948	\$ 7,857,910	\$ 81,947,050	\$ 11,983,964
\$ (4,966,493)	\$ 528,833	\$ 4,548,273	\$ (1,039,074)
1,916,527	2,500,949	16,643,475	-
-	-	(345,000)	-
36,636	172,534	33,333	13,480
8,801	294	(12,666)	-
-	-	7,053	-
11,252	-	297,245	-
(141,259)	27,414	(584,643)	1,273,530
(7,815)	12,679	55,243	1,387
186,101	139,020	465,535	-
4,891	(1,880)	35,951	-
(347,852)	(645,318)	(1,991,300)	-
(28,047)	(99,415)	(208,096)	-
\$ (3,327,258)	\$ 2,635,110	\$ 18,944,403	\$ 249,323
\$ 715	\$ 404	\$ (19,205)	\$ -
-	5,441,120	10,321,666	-
\$ 3,383,948	\$ 7,680,530	\$ 28,902,379	\$ 11,983,964
-	177,380	53,044,671	-
\$ 3,383,948	\$ 7,857,910	\$ 81,947,050	\$ 11,983,964

CITY OF RAPID CITY
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2017

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 1,405,067
Investments	743,623
TOTAL ASSETS	\$ 2,148,690
 LIABILITIES:	
Accounts Payable	\$ -
Net Position Held in Agency Capacity	2,148,690
Total Liabilities	\$ 2,148,690

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

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

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

The Museum Alliance of Rapid City, Inc. (MARC), a separate non-profit corporation, was formed as a special agent of the City for the design and construction of a new museum, and to operate and maintain the museum upon completion of the construction. The MARC is reported as a discretely reported component unit on the City's Statement of Position and Statement of Activities as the MARC is financially dependent on the City. A complete financial statement can be obtained at the MARC Administrative Office, located at 222 New York St., Rapid City SD 57701.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.A above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.A, above.

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

Fund Financial Statements:

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

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued):

A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

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

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

Governmental Funds

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund. The Cemetery Enterprise fund will be included in the General Fund as of December 31, 2017.

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. The City reports the following major special revenue funds:

Capital Improvements
& Vision Fund

Established by Rapid City Municipal Code Chapter 3.16.060 Capital Improvements & Vision Fund is the consolidation of the former Vision and Consolidated Construction funds. The purpose of the consolidation was to improve the City's ability to bond for future capital improvements and Vision fund projects in addition to obtaining more favorable interest rates on future bonds. Two separate set of accounts are maintained within this fund to account for sales tax revenues received to finance debt service and capital construction projects.

Utility/Facilities Fund

Established by Rapid City Municipal Ordinance Chapter 3.16.060 to account for sales tax revenue received to finance debt service and capital construction related to the City's long-term streets, water and sewer plans.

The following remaining Special Revenue funds are not considered to be major funds: Occupancy Tax, Downtown BID, Erosion/Sediment Control, Community Development, Rehabilitation Loan/Grant, Retired Senior Volunteer Program, Library Board and all TID funds. These funds are reported in the fund financial statements as "Other Governmental Funds".

Debt Service Funds - debt service funds are used to account for the accumulation of resources, and the payment of, general long-term debt principal, interest, and related costs in relation to the various tax increment districts that have been established.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION (Continued)

Governmental Funds (Continued)

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

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

1. 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.)
2. 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.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service.

The City reports the following major enterprise funds:

Water Fund	Financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1)
Wastewater Fund	Financed primarily by user charges, this fund accounts for the construction and operation of the municipal sewer system and related facilities. (SDCL 9-48-2)
Airport Fund	Financed primarily by user charges and grants, this fund accounts for revenues and expenditures of the municipal airport and current grant activities.
Civic Center	Financed primarily by user fees and third penny sales tax (SDCL 10-52), this fund accounts for the operation of the municipal civic center.
Solid Waste Disposal Fund	Financed primarily by user charges of landfill and a portion of monthly collection fees, this fund accounts for the construction and operation of the municipal landfill system and related facilities. (SDCL 9-32-11)

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. BASIS OF PRESENTATION (Concluded)

Internal Service Funds - internal service funds are used to account for financing of goods or services provided by one department or agency to other departments or agencies of the primary government on a cost reimbursement basis. The City maintains four internal service funds: Medical Insurance, Liability Insurance, Unemployment Insurance and Workers' Compensation Insurance. These funds are utilized to account for the corresponding insurances. Internal Service Funds are never considered to be major funds.

Fiduciary Funds

Agency Funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are never considered to be major funds. The agency funds are as follows:

<u>Fund</u>	<u>Brief Description</u>
Payroll Withholding Fund	To account for amounts withheld from payroll for various purposes including pension withholdings and insurance.
Section 125 Fund	To account for pre-tax withholdings from employees, directed for medical or childcare expenses.
Deposits held for Others	To account for deposits held for various individuals and organizations.

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, governmental, business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 60 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported deferred inflows of resources are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

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

D. CASH AND CASH EQUIVALENTS

The City pools the cash resources of its funds for cash management purposes. For the purpose of the proprietary funds' Statements of Cash Flows, the City considers all highly liquid investments and deposits, including restricted assets, with a term to maturity of three months or less at the date of acquisition, to be cash equivalents.

E. DEPOSITS AND INVESTMENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand, savings accounts, certificates of deposit and cash management pools of the City that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents. All investments are excluded.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. All investments with original maturities greater than 18 months at the time of purchase are redeemable at the City's option, assuming the investments are marketable.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on the internal services fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to the funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reduction occurs in the General Fund, so that expenses are only reported in the function to which they relate.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds" and are equally offset by a nonspendable fund balance, which indicates they are not a component of current assets, and do not constitute "available spendable resources." Interfund receivables and payables between funds within governmental activities and within the business-type activities are eliminated in the Statement of Net Position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

G. INVENTORIES

Inventories in all funds are stated at the lower of cost or market, using the first-in, first-out method cost flow assumption. Inventories consist of sand, salt and chemicals for snow removal, service connection repair materials and concession items.

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

Fund Financial Statements: In the fund financial statements, purchase of supply inventory items are recorded as expenditures at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

H. CAPITAL ASSETS

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

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

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. CAPITAL ASSETS (Continued)

Government-Wide Financial Statements:

Capital assets are valued at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets donated by developers are recorded at estimated cost. Historical cost was used to value the majority of the assets.

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

The City elected early implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a governmental or business-type activity fund. The changes to implement the standard are applied prospectively.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset and the capitalization threshold (the dollar values above which asset acquisitions are added to the capital assets accounts) is as follows:

Buildings	25-50 years	\$ 15,000
Improvements	10-50 years	\$ 15,000
Machinery and Equipment	3-20 years	\$ 5,000
Utility System	25-50 years	\$ 15,000
Infrastructure	25-50 years	\$ 15,000

Land is an inexhaustible asset and is not depreciated. Construction in Progress is not depreciated.

Fund Financial Statements:

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

I. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based on contract terms, years of service and age. All vacation time and estimated retirement severance are accrued when incurred in government-wide and proprietary fund financial statements and recorded as expenditure in the governmental fund statements when the employees use the benefits.

J. 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.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. LONG-TERM LIABILITIES (Continued)

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

K. PROGRAM REVENUE

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

- a. 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.
- b. 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.
- c. 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

L. DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES

In addition to assets and liabilities the statement of financial position reports a section for the net deferred outflows/inflows of resources balances.

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 the current year the City has recognized deferred outflows relating to pension asset accrual.

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. Deferred inflows of resources consist primarily of property taxes, special assessments, federal grants and pension asset accrual.

M. PROPRIETARY FUNDS REVENUE AND EXPENSE CLASSIFICATION

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

N. EQUITY CLASSIFICATIONS

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

N. EQUITY CLASSIFICATIONS (Continued)

2. Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) 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”.

Application of Net Position

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

Fund Balance Classification Policies and Procedures

Fund balance reporting and Governmental fund type definitions are as follows:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through the adoption of an ordinance or policy by the Rapid City Common Council and does not lapse at year end.
4. 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 City Council or by an official or body to which the City Council delegates the authority.
5. 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 City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

O. RESTRICTED ASSETS

Certain assets are classified as restricted on the Statement of Net Position. These restrictions include those imposed by debt indenture covenants, tax increment financing district developer agreements, federal grant agreements, State law regarding use of cemetery perpetual care funds and landfill closure/post closure funds.

P. USE OF ESTIMATES

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Q. PENSIONS

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

U. EMERGING ACCOUNTING STANDARDS

In June 2015, GASB issued Statements No. 74 and 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, which replace GASB Statement Nos. 43 and 45, and will require additional note disclosures for the City's Other Post-Employment Benefits (OPEB) offered. These statements relate to accounting and financial reporting issues and how OPEB expenses and related obligations are measured and reported in audited financial statements. The standards describe the recognition of the entire net OPEB liability in the employer's financial statements. The implementation of GASB 74 will not impact the entity's financial statements. With regard to GASB 75, although expected to be significant, management has not yet determined the specific impact of this Statement on the financial statements. Statement No. 74 is not applicable for the City, but Statement No. 75 is effective for the City's year ending December 31, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement will be implemented at the City in the year ended December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity which meets the criteria outlined in this statement should be reported in a fiduciary fund in the basic financial statements. This statement also outlines and describes the types of fiduciary funds that should be reported. This statement will be implemented at the City in the year ended December 31, 2019.

GASB Statement No. 85, *Omnibus*. This statement addresses several accounting issues which included blended component units, goodwill, fair value measurement and application, and postemployment benefits among other items. This statement will be implemented at the City in the year ended December 31, 2018.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement No. 87 is effective for the City's year ending December 31, 2020.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement was implemented at the City in the year ended December 31, 2017.

Management has not yet determined the effect these pronouncements will have on the City's financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

The actual bank balances at December 31, 2017 were as follows:

<u>Primary Government</u>	<u>Bank Balance</u>
Insured – FDIC	\$1,902,376
Uninsured, collateral jointly held by State's/City agent in the name of the State and the pledging financial institution in accordance with SDCL 4-6A-3	85,882,532
Total Deposits	\$87,784,908

Investments – In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or 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.

Investments are reported at fair value. Accordingly, changes in the market value of investments at year end are reflected as a component of earnings on investments.

Credit Risk – State law limits eligible investments for the City, as discussed above. In addition, the City has an investment policy that further limits its investment choices.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (Continued)

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City’s investment policy restricts the maximum holding per institution to 50% of the

City’s total pooled cash fund. As of December 31, 2017 none of the City’s deposits in financial institutions were exposed to custodial credit risk.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The certificates of deposit, treasury notes, federal agency obligations, and government sponsored enterprises are measured as level 2 recurring fair value measurements according to the fair value hierarchy.

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

Investment	Credit	Total	Less than 1 Year	1-5 Years	5-10 Years	10 Years or More
Certificates of Deposit	N/A	5,983,800	3,792,350	1,469,162	621,883	100,406
US Treasury Notes	N/A	9,162,597	-	6,053,062	973,235	2,136,299
US Federal Agency Obligations:						
GNMA (Ginnie Mae) Pool	AAA	1,845,636	3,624			1,842,270
GNMA (Ginnie Mae) Treas	AAA	4,713	4,713			
US Government Sponsored Enterprises:						
FNMA (Fannie Mae) Pool	AAA	10,746,190	188,581	2,946,847	2,515,907	5,094,856
FNMA Notes	AAA	4,322,412	1,002,888	3,319,525		
FHLMC (Freddie Mac) Pool	AAA	3,722,786		1,297,098	134,608	2,291,080
FHLMC Notes	AAA	4,058,994	499,920	3,559,074		
FHLB Bonds	AAA	1,113,605		1,113,605		
Total		40,960,732	5,492,075	19,758,373	4,245,632	11,464,911

Presented in the:

Statements of Net Position	40,217,109
Statement of Fiduciary Net Position	<u>743,623</u>
	<u>40,960,732</u>

Interest Rate Risk – Pursuant to the City’s investment policy, portfolio duration must always remain within 1 to 5 years with individual securities required to have a maturity between 30 day Treasury Bills and final maturity of 30 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s investment policy restricts the maximum holding per institution to 50% of the City’s total pooled cash fund. No financial institution held more than 50% of the total pooled cash. All investments are held in the City’s name with RBC Wealth Management, Edward Jones, Wells Fargo and MidFirst Bank serving as custodians.

Concentration of Credit Risk – The City’s investment policy limits the amount that may be invested in any one financial institution to 50%, with exclusion of US Treasury securities. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded in the assessment of concentration of credit risk.

As of December 31, 2017, more than 5 percent of the City’s investments are in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. The investments are 36.79% and 19.00%, respectively, of the City’s total investments.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (Continued)

As of December 31, 2017, the City had the following in the cash with fiscal agent accounts:

Investment	Credit	Total	Less than 1 Year	1-5 Years
Money Market	N/A	1,509,961	1,509,961	
US Treasury Note	AAA	54,694,254	6,962,012	47,732,241
Total		56,204,215	8,471,974	47,732,241

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

Restricted Cash/Investments:

Assets (included-above) are restricted to use for the following specific purposes:

<u>Amount:</u>	<u>Purpose:</u>
\$56,204,215	Debt Service, by debt covenants
\$2,275,000	Closure and Post-Closure Landfill Costs
\$117,237	Grant Expenditures
\$ 29,597	Library Board

NOTE 3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year; except for the Infrastructure Development Partnership Fund Notes Receivables totaling \$204,622 at December 31, 2017 that have a maximum repayment term of 10 years and the Life Safety Loan Receivable totaling \$476,900 at December 31, 2017 that has a maximum repayment term of 7 years. These notes are fully collateralized with letters of credit. Appropriate allowances for estimated uncollectible accounts have been established based on the City’s knowledge of current environmental conditions and historical losses.

Business-Type Activities: Business Type Activities receivables are comprised of amounts owed to the City by City residents for services rendered such as water and sewer and interest income receivable.

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

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

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. DUE FROM OTHER GOVERNMENTS

At December 31, 2017 the City's Due from Other Governments consisted of the following:

GOVERNMENTAL FUNDS:

General Fund

Transportation Planning	\$	144,501
Local Government Highway/Bridge		137,670
Liquor Tax Reversion		128,440
Urban Mass Transit Grant		140,789
Police Grants		10,818
SAFER Grant		44,994
Motor Vehicle		28,388
Wildland Fire		110,397
Blood Testing		6,650
Highway Safety		15,101
Air Quality Grant		21,697
Historic Preservation		1,586
Cemetery		7,690
Local Counties/Agencies		37,293
<u>Total General Fund</u>		<u>836,014</u>

Nonmajor Governmental Funds

Community Development Grant		93,305
Cemetery Perpetual Care		876
<u>Total Nonmajor Governmental Funds</u>		<u>94,181</u>

TOTAL GOVERNMENTAL FUNDS \$ 930,195

ENTERPRISE FUNDS:

Airport Fund

Airport Improvement Projects	\$	1,078,333
TSA Building		7,000
Local Counties/Agencies		18,177
<u>Total Airport Fund</u>		<u>1,103,510</u>

Water Fund

Bureau of Reclamation		6,271
<u>Total Water Fund</u>		<u>6,271</u>

Civic Center Fund

Facility Rental		16,906
<u>Total Civic Center</u>		<u>16,906</u>

Nonmajor Proprietary Funds

Energy Plant -- Due from Rapid City Area Schools		41,714
<u>Total Nonmajor Proprietary Funds</u>		<u>41,714</u>

TOTAL ENTERPRISE FUNDS 1,168,401

TOTAL ALL FUNDS \$ 2,098,596

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital Assets not being depreciated:					
Land	\$ 45,652,427	\$ -	\$ 24,151	\$ -	\$ 45,676,578
Construction in Progress	14,981,605	12,621,137	(20,467,351)	-	7,135,391
Total capital assets not being depreciated	<u>60,634,032</u>	<u>12,621,137</u>	<u>(20,443,200)</u>	<u>-</u>	<u>52,811,969</u>
Capital Assets being depreciated:					
Buildings	87,550,158	-	1,296,276		88,846,434
Improvements Other than Buildings	316,988,230	6,781,297	17,209,312		340,978,839
Machinery and Equipment	32,441,002	2,958,204	233,974	(1,081,259)	34,551,921
Total capital assets being depreciated	<u>436,979,390</u>	<u>9,739,501</u>	<u>18,739,562</u>	<u>(1,081,259)</u>	<u>464,377,194</u>
Less accumulated depreciation for:					
Buildings	(21,004,265)	(1,874,433)			(22,878,698)
Improvements Other than Buildings	(166,826,544)	(12,954,600)			(179,781,144)
Machinery and Equipment	(22,824,973)	(2,114,788)	(650,483)	1,000,809	(24,589,435)
Total accumulated depreciation	<u>(210,655,782)</u>	<u>(16,943,821)</u>	<u>(650,483)</u>	<u>1,000,809</u>	<u>(227,249,277)</u>
Total capital assets being depreciated, net	<u>226,323,608</u>	<u>(7,204,320)</u>	<u>18,089,079</u>	<u>(80,450)</u>	<u>237,127,917</u>
Governmental activities capital assets, net	<u>\$ 286,957,640</u>	<u>\$ 5,416,817</u>	<u>\$ (2,354,121)</u>	<u>\$ (80,450)</u>	<u>\$ 289,939,886</u>

Depreciation expense was charged to functions within governmental funds as follows:

Total General Government	\$ 933,163
Total Public Safety	845,056
Total Health and Welfare	498,250
Total Public Works	12,007,310
Total Culture and Recreation	2,639,098
Total Conservation & Development	20,944
Total Governmental depreciation expense	<u>\$ 16,943,821</u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CHANGES IN CAPITAL ASSETS (Continued)

Capital asset activity in business-type funds for the fiscal year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital Assets not being depreciated:					
Land	\$ 16,433,907	\$ 409,491	\$ 55,962	\$ -	\$ 16,899,360
Construction in Progress	24,706,916	21,379,194	(30,187,032)	-	15,899,078
Total capital assets not being depreciated	<u>41,140,823</u>	<u>21,788,685</u>	<u>(30,131,070)</u>	<u>-</u>	<u>32,798,438</u>
Capital Assets being depreciated:					
Buildings	191,431,137	-	195,150	-	191,626,287
Improvements Other than Buildings	459,787,062	6,584,240	31,764,908	-	498,136,210
Machinery and Equipment	32,251,782	3,391,213	(125,350)	(227,005)	35,290,640
Total capital assets being depreciated	<u>683,469,981</u>	<u>9,975,453</u>	<u>31,834,708</u>	<u>(227,005)</u>	<u>725,053,137</u>
Less accumulated depreciation for:					
Buildings	(63,669,196)	(3,631,060)	-	-	(67,300,256)
Improvements Other than Buildings	(134,608,983)	(10,692,337)	650,483	-	(144,650,837)
Machinery and Equipment	(18,447,958)	(2,320,078)	-	204,305	(20,563,731)
Total accumulated depreciation	<u>(216,726,137)</u>	<u>(16,643,475)</u>	<u>650,483</u>	<u>204,305</u>	<u>(232,514,824)</u>
Total capital assets being depreciated, net	<u>466,743,844</u>	<u>(6,668,022)</u>	<u>32,485,191</u>	<u>(22,700)</u>	<u>492,538,313</u>
Business-type activities capital assets, net	<u>\$ 507,884,667</u>	<u>\$ 15,120,663</u>	<u>\$ 2,354,121</u>	<u>\$ (22,700)</u>	<u>\$ 525,336,751</u>

Depreciation expense was charged to business-type funds as follows:

Total Water Enterprise	\$ 4,481,953
Total Airport Enterprise	2,868,481
Total Wastewater Enterprise	3,457,007
Total Civic Center Enterprise	1,916,527
Total Solid Waste Disposal Enterprise	1,418,558
Total Storm Water Utility Enterprise	1,333,377
Total Solid Waste Collection Enterprise	360,542
Total Transportation Terminal Enterprise	168,944
Total Golf Course Enterprise	218,118
Total Parking Lot Area Enterprise	118,136
Total Ambulance Enterprise	200,796
Total Executive Golf Enterprise	34,912
Total Energy Plant Enterprise	66,124
Total Enterprise depreciation expense	<u><u>\$ 16,643,475</u></u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. CONSTRUCTION COMMITMENTS

The City had construction commitments of approximately \$13.9 million as of December 31, 2017. Individual project commitments of over \$200,000 were as follows:

Project Number	Project Description	Total Costs		Remaining
		As of 12/31/2017	Total Contract	
07-1473	Anamosa Street Utility	82,077	4,121,045	4,038,968
12-2053	Silver Street	38,694	2,064,016	2,025,322
13-2063	Robbinsdale Utility	6,641	332,480	325,839
13-2107	East Rapid City Water	462,307	837,206	374,899
13-5235	AIP 44 Runway Rehab	13,012	296,390	283,378
15-2316	Omaha Street Recon	1,442,150	4,631,619	3,189,469
16-2253	Omaha Trunk Sewer	35,108	278,239	243,131
17-2380	Big Sky Subdivision	385,211	676,916	291,705
	Tyler Tech Accounting Software	1,009,047	1,650,000	640,953
	Remainder	19,560,222	22,067,028	2,506,806
		23,034,469	36,954,939	13,920,470

Funding for these projects is provided from dedicated sales tax funds (Capital Improvement & Vision Fund), grants and charges for services. There are many projects that are included in Construction in Progress line item in Note 5 but are not included in this note because they have either been substantially completed but not put into service or they are only in the design stage with no commitment for further construction.

NOTE 7. LONG-TERM LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of December 31, 2017, the governmental long-term debt of the financial reporting entity consisted of the following:

Revenue Bonds

\$22,910,000 Sales Tax Revenue Bonds, Series 2013 serviced by the Utilities Facilities Special Revenue Fund. Payable in semi-annual principal installments of \$885,000 to \$1,535,000 through December 2032. Interest at 2.00 to 4.00 percent. Interest paid in 2017 was \$608,385.	\$18,355,000
Unamortized deferred premium	<u>662,094</u>
Total Revenue Bonds	<u>\$19,017,094</u>

Compensated Absences:

Accrued Leave Payable Government Funds	\$1,949,726
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CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)

Financing (Capital Acquisition) Leases

\$4,772,000 sublease dated September 6, 2011 with Pennington County, South Dakota for 44%, 61% and 10% interest in Public Safety Building, Evidence Lab and Parking Ramp, respectively. Due in annual installments of \$290,058 including interest of 4.11 percent. The final payment is due December 1, 2040. The lease is serviced by the Capital Improvements & Vision Fund. Interest paid in 2017 was \$179,761. 4,262,378

\$135,191 under an agreement with Wells Fargo Brokerage Services, LLC, dated October 1, 2014 for the purchase of a bucket truck, which is security for the Lease. Due in annual installments of \$28,930, including interest of 3.50 percent. The final payment is due in September 2018. The lease is serviced by the General Fund. Interest paid in 2017 was \$1,924. 27,952

\$371,814 under an agreement with Wells Fargo Brokerage Services, LLC, dated March 5, 2014 for the purchase of a dump truck and street sweeper, which are security for the Lease. Due in semi-annual installments of \$81,667, including interest of 3.09 percent. The final payment is due May 2019. The lease is serviced by the General Fund. Interest paid in 2017 was \$7,126. 156,064

Total Leases \$4,446,394

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful life of the asset, or the lease term (where title never transfers), as appropriate.

Total cost and accumulated depreciation for all capital leases utilized in the governmental activities is as follows:

Gross amount of assets recorded under capital leases	\$5,320,675
Accumulated depreciation – Public Safety	(637,801)
Accumulated depreciation – Public Works	<u>(409,906)</u>
Net assets recorded under capital leases	<u>\$4,272,968</u>

Notes Payable

Note payable to Pioneer Bank dated March 6, 2014 to finance the purchase of financial accounting and reporting package. Maximum loan amount of \$1,680,710. Due in monthly installments of \$30,192, including interest at 3.00 percent. The final payment is due in March 2019. The loan is serviced by the Capital Improvements & Vision Fund. Interest paid in 2017 was \$18,890. 440,769

Tax Increment Financing District (TID) Liabilities

Tax increment financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. In some instances the City pledges future tax revenues generated by the tax increment district to acquire public improvements within the established Tax Increment District which were constructed by a private developer.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)

Tax Increment Financing District (TID) Liabilities (Continued)

The City has pledged all or some portion of future tax revenues to acquire public improvements within the established Tax Increment District which were constructed by a private developer. These transactions are accounted for as a collateralized borrowing, whereby the City recognizes a liability and capital assets equal to the amount of the public improvements being acquired. The City also uses some tax increment districts to fund improvements in which the City has obtained financing or has used reserves to fund all or some of the improvements, in which case the City follows its general policies outlined in Note 1.

In cases where the City purchases public improvements from private developers, the City agrees to deposit all positive tax increments received for that district in a special fund. Once the developer has completed the agreed upon improvements and has certified to the City the total costs of the improvements, as well as providing reasonable documentation regarding those costs, the City accepts and records the public improvement along with the related liability for the acquired assets. The City then begins making payment to the developer based on the amount of positive tax increments received.

It is a specific condition of the developer's agreement and a condition of the City's obligation that all sums payable shall be limited to the proceeds of the positive tax increment. It is also specifically agreed that the City has made no representation that the proceeds from such funds shall be sufficient to retire the indebtedness incurred by the developer to construct the public improvements.

At December 31, 2017, there were 14 active tax increment financing districts in which costs had been certified in part or in whole. The current principal balances shown below plus interest at the stated applicable rate over the life of the note represent the amount of future property taxes pledged to fund improvements related to these tax increment districts that have been certified as of December 31, 2017. The maximum payoff amounts represent the amount of future tax revenues that were pledged at the time of certification. Future property taxes over a 20 year period are projected to produce 100% of the debt service requirements presented below with the exception of TID 29 and TID 52 which will not generate sufficient property tax revenue to meet outstanding debt balance within allotted time.

During the year ended December 31, 2017, principal and interest expenditures and property tax revenues were \$7,223,246 and \$8,467,432, respectively. These amounts include property tax revenues and principal and interest expenditures related to improvements within tax increment districts funded with City debt or reserves. Each of the individual debt issues listed below have their own debt service fund from which the debt is serviced.

TID 29 – Fiberswitch Technology – Created in 1998, maximum payoff \$90,480 including interest at 9.0 percent, expires 10/5/2018.	\$76,223
TID 38 – Heartland Business – Created in 2003 and amended in 2017, maximum payoff \$6,810,879, including interest at 9.50 percent, expires 2/17/2023.	1,049,357
TID 39 – E Rapid Plaza – Created in 2003, maximum payoff \$3,621,662 including interest at 8.25 percent, expires 4/21/2023.	326,007
TID 40 – SoCreek Village – Created in 2003, maximum payoff \$1,140,164 including interest at 7.0 percent, expires 5/19/2023.	202,052
TID 47 – Tower Road – Created in 2004, maximum payoff \$4,894,289 including interest at 7.5 percent, expires 10/4/2024.	3,308,536
TID 50 – Federal Beef – Created in 2004, maximum payoff \$17,545,369 including interest at 9.0 percent, expires 11/07/2025.	4,422,007
TID 52 – E. St Charles – Created in 2005, maximum payoff \$1,250,107 including interest at 5.85 percent, expires 5/2/2025.	368,941

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)

Tax Increment Financing District (TID) Liabilities (Continued)

TID 54 – Rainbow Ridge – Created in 2005, maximum payoff \$5,106,457 including interest at 9.0 percent, expires 10/3/2025.	426,187
TID 56 – Rushmore Crossing – Created in 2005, maximum payoff \$20,399,907 including interest at 6.75 percent, expires 11/11/2025.	7,569,666
TID 65 – Minnesota Street – Created in 2007, maximum payoff \$33,956,177 including interest at 4.95 percent, expires 9/4/2027.	5,939,245
TID 68 – Homestead – Created in 2008, maximum payoff \$2,257,786 including interest at 6.0 percent, expires 4/21/2028	205,157
TID 69 – North Fire Station – Created in 2013, maximum payoff \$9,008,524 including interest at 7.75 percent, expires 7/21/2033	1,807,398
TID 72 – East Saint Joseph Street – Created in 2012, maximum payoff \$4,095,341 including interest at 5.9 percent, expires 2/21/2032	1,921,641
TID 77 – Rushmore Gateway Corridor – Created in 2016, maximum payoff \$6,067,965 including interest at 5.5 percent, expires 4/4/2036	<u>3,474,282</u>
Total Tax Increment District Liabilities	<u>\$31,096,699</u>
Other Post Employment Benefit Liabilities (Note 12)	<u>3,136,477</u>
Total Liabilities Payable	<u>\$60,087,159</u>

The annual requirements for maturity for governmental activities long-term debt (excluding compensated absences and other post-employment benefits) outstanding as of December 31, 2017, are as follows:

TOTAL GOVERNMENTAL FUNDS

Year Ending December 31	General Debt Obligations		Capital Lease Obligations		TID Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	1,369,886	605,917	219,629	181,026	5,000,832	1,257,680
2019	1,164,161	560,724	198,772	172,954	4,650,918	779,113
2020	1,079,139	531,560	124,468	165,591	3,716,236	589,606
2021	1,099,139	510,760	129,585	160,474	3,932,848	522,222
2022	1,124,139	489,025	134,912	155,147	4,211,133	446,761
2023-2027	6,190,695	1,879,100	762,455	687,837	7,115,502	1,053,340
2028-2032	7,430,704	644,350	932,604	517,688	1,853,846	462,103
2033-2037	-	-	1,140,723	309,568	615,384	32,724
2038-2040	-	-	803,246	66,930	-	-
TOTALS	<u>19,457,863</u>	<u>5,221,436</u>	<u>4,446,394</u>	<u>2,417,215</u>	<u>31,096,699</u>	<u>5,143,549</u>

The above noted annual requirements for maturity for the tax increment financing debt are based on actual tax increment revenues received in 2017; estimated tax increment revenues projected by Pennington County to receive in 2018; and estimated tax increment revenues as per the approved project plans.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 NOTE 7. LONG-TERM LIABILITIES (Continued)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

Government Activities:

	Liabilities Payable			Liabilities Payable 12/31/2017	Due Within One Year
	1/1/2017	Issued	Retired		
Leases	4,807,266	-	(360,872)	4,446,394	219,629
Revenue Bonds	20,021,233	-	(1,004,139)	19,017,094	1,034,139
Loans Payable	784,184	-	(343,415)	440,769	335,747
Compensated Absence	1,754,313	1,423,305	(1,227,892)	1,949,726	120,000
TID	33,157,013	2,442,422	(4,502,736)	31,096,699	5,000,832
Other Post- Employment Benefits	2,987,232	149,245	-	3,136,477	-
Total	\$ 63,511,241	\$ 4,014,972	\$ (7,439,054)	\$ 60,087,159	\$ 6,710,347

Business-Type Activities:

As indicated below within the description for each debt issue, the City has pledged future revenues associated with various debt agreements. All debt secured by pledged revenues funded capital projects and improvements, or was used to refinance the debt that originally funded the capital projects and improvements, within the specific Funds that pledged the future revenues. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future debt requirements over the maturity dates listed below for each debt issue.

The City has pledged the amount of the future debt service requirements on the issues or 100% of the fee revenues generated by the Water Fund, Wastewater Fund, Parking Lot Fund and Airport Fund whichever is greater, or specific revenues based on debt documents for the retirement of the debt issues associated with those funds as indicated below. Below is a comparison, by Fund, of principal and interest payments and total pledged revenues for the current year.

	Water Fund	Wastewater Fund	Parking Lot Fund	Airport Fund
2017 Principal and Interest	\$5,105,676	\$1,376,439	\$183,100	\$1,357,145
Pledged Revenue	\$3,926,771	\$10,887,246	\$667,563	\$1,895,423

As of December 31, 2017, the long-term debt payable from proprietary fund resources consisted of the following:

Revenue Bonds

\$2,045,000 Parking Revenue Bond of 2015. Due in annual installments of \$55,000 to \$225,000 through 2028. Interest at 2.95 percent. (This issue is being financed by pledged Parking Facility revenue). Interest expense in 2017 was \$53,100. \$1,735,000

\$45,100,000 Water Revenue Bonds of 2009. Due in semi-annual installments of \$1,134,363 from 2016 through 2019 with balance of interest and principal paid on November 1, 2019. Interest at 4.0 to 5.00 percent. (This issue is being serviced by pledged Water Enterprise Fund revenues.) Interest expense in 2017 was \$2,319,713. 44,980,000

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)
Business-Type Activities (Continued)

<p>\$46,030,000 Water Revenue Bonds of 2015. Interest only payments of \$901,603 through May 2020. Due in annual installments of \$1,565,000 to \$3,250,000 from November 2020 through November 2039. Interest at 3.625 to 5.0 percent. (This issue is being serviced by pledged Water Enterprise Fund revenues.) Interest expense in 2017 was \$1,803,206</p>	46,030,000
<p>\$5,000,000 Loan No. 6 from State Revolving Fund of 2011. Due in quarterly installments of \$45,660 to \$83,020 through 2031. Interest at 3.0 percent. (This issue is to be serviced by pledged Wastewater Fund revenues). Interest expense in 2017 was \$119,797.</p>	3,856,129
<p>\$4,210,000 Airport CFC Bonds of 2010. Due in annual installments of \$384,200 to \$395,900 through 2030. Interest payments at 6.00 to 7.00 percent. (This issue is to be serviced by pledged Airport Customer Facility Charge revenue). Interest expense in 2017 was \$230,500.</p>	3,260,000
<p>\$4,190,000 Gross Receipts Revenue Bonds of 2014. Due in annual installments of \$240,000 to \$360,000 through 2028. Interest payments at 3.10 percent. (This issue is to be financed by the Civic Center Fund). Interest expense in 2017 was \$109,585.</p>	3,405,000
<p>\$10,605,000 Wastewater Refunding Bonds of 2011. Due in annual installments of \$1,037,825 to \$1,925,033 through 2022. Interest at 2.05 to 3.70 percent. (This issue is to be serviced by pledged Wastewater Fund revenue). Interest expense in 2017 was \$200,978.</p>	5,455,000
<p>\$11,675,000 Airport PFC Bonds of 2011. Due in annual installments of \$962,700 to \$967,943 through 2035. Interest at 3.75 to 5.50 percent. (This issue is to be serviced by pledged Airport Passenger Facility Charge revenue). Interest expense in 2017 was \$651,645.</p>	9,945,000
<p>\$6,000,000 Drinking Water Loan SRF 2 of 2009. Due in quarterly installments of \$100,997 through 2031. Interest at 3.0 percent. (This issue is to being serviced by pledged Water Enterprise Fund revenues). Interest expense in 2017 was \$150,035.</p>	4,829,467
<p>\$614,904 Drinking Water Loan SRF 3 of 2017. Due in quarterly installments of \$10,249 through 2031. Initial loan amount was \$1,751,862 of which \$1,136,958 was forgiven by issuer. (This issue is to being serviced by pledged Water Enterprise Fund revenues) Interest at 3.0 percent. Interest expense in 2017 was \$2,357.</p>	614,904
<p>Less net unamortized discounts/premiums on bonds</p>	<hr/> 2,313,454
<p>Total Revenue Bonds</p>	<hr/> \$126,423,954

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)
 Business-Type Activities (Continued)

Compensated Absences:	
Accrued Leave payable from Water Fund	186,082
Accrued Leave payable from Wastewater Fund	112,147
Accrued Leave payable from Solid Waste Fund	42,929
Accrued Leave payable from Airport Fund	87,637
Accrued Leave payable from Civic Center Fund	201,101
Accrued Leave payable from Non-major Enterprise Funds	251,432
	<u>\$881,328</u>

Financing (Capital Acquisition) Leases/Loans

\$254,604 under an agreement with Pioneer Bank, dated August 3, 2015 for equipment at Meadowbrook Golf Course which is security for the Loan. Due in monthly installments of \$4,566, including interest at 2.95 percent. The final payment is due October, 1, 2020. The loan is serviced by the Golf Course Fund. Interest expense in 2017 was \$4,720. 135,947

\$201,817 under an agreement with Wells Fargo Equipment Lease Inc. dated June 2, 2015 for a purchase of two ambulances and other medical equipment which are security for the Lease. Due in quarterly installments of \$13,702, including interest at 4.00 percent. The final payment is due June 15, 2019. The lease is serviced by the Ambulance Fund. Interest expense in 2017 was \$4,772. 79,200

\$460,000 under an agreement with Wells Fargo Equipment Finance, Inc. dated July 7, 2014 for the purchase of four ambulances, which are security for the Lease. Due in 15 quarterly installments of \$32,564, including interest at 3.04 percent. The final payment is due June 2018. The lease is serviced by the Ambulance Fund. Interest expense in 2017 was \$4,359. 64,393

Total Leases	<u>\$279,540</u>
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The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful life of the asset, or the lease term (where title never transfers), as appropriate.

Total cost and accumulated depreciation for all capital leases utilized by business-type activities is as follows:

Gross amount of assets recorded under capital leases – buildings	\$113,522
Gross amount of assets recorded under capital leases – equipment	654,295
Accumulated depreciation – Golf	(57,910)
Accumulated depreciation – Ambulance	(418,653)
Net assets recorded under capital leases	<u>\$291,254</u>

Accrued Landfill Closure (Note 16)	2,275,000
Other Post Employment Benefit Liabilities (Note 12)	<u>1,586,222</u>
Total Liabilities Payable	<u>\$132,446,044</u>

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

Crossover refunding

On November 12, 2015, the City deposited \$48,934,589 to a crossover escrow fund and issued Water Revenue Refunding Bonds, Series 2015 in the amount of \$46,030,000 to purchase federal securities all of which were placed in an irrevocable trust for the purpose of refunding the outstanding principal at December 31, 2014 of \$45,100,000 of Water Revenue Bonds, Series 2009 and payment of related bond issuance costs. The refunding of the Water Revenue Bonds, Series 2009 will consist of semi-annual interest only payments beginning May 2016 through May 2019 and final principal and interest payment on November 1, 2019. The outstanding principal balances of the Water Revenue Bonds, Series 2015 and 2009 at December 31, 2017 are \$46,030,000 and \$44,980,000, respectively.

The annual requirements for maturity for business-type activities long-term debt (excluding compensated absences, other post-employment benefits and accrued landfill closure) outstanding as of December 31, 2017, are as follows:

TOTAL BUSINESS TYPE ACTIVITIES

Year Ending December 31	Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2018	2,554,974	5,539,739	168,004	6,729
2019	2,879,246	5,460,969	79,870	1,887
2020	48,106,337	3,107,839	31,666	398
2021	4,253,407	2,939,093	-	-
2022	5,295,993	3,091,869	-	-
2023-2027	19,113,031	11,542,377	-	-
2028-2032	19,759,331	7,673,674	-	-
2033-2037	17,405,830	3,186,911	-	-
2038-2039	7,055,805	349,269	-	-
TOTALS	126,423,954	42,891,740	279,540	9,014

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Liabilities Payable			Liabilities Payable		Due Within One Year
	1/1/2017	Issued	Retired	12/31/2017		
Leases/Loans	\$ 505,550	\$ -	\$ (226,010)	\$ 279,540	\$ 168,004	
Closure and Post-Closure (Note 16)	2,620,000		(345,000)	2,275,000	-	
Revenue Bonds	127,949,478	614,904	(2,140,428)	126,423,954	2,554,974	
Other Post-Employment Benefits	1,248,060	338,162	-	1,586,222	344,432	
Compensated Absence	854,004	563,188	(535,864)	881,328	51,500	
Total	\$133,177,092	\$ 1,516,254	\$ (3,247,302)	\$131,446,044	\$ 3,118,910	

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. OPERATING LEASES

The General and the Library Board funds lease office equipment under certain non-cancellable and cancellable long-term lease agreements. Rent expense for these leases was \$27,644 and \$7,436, respectively, for the year ending December 31, 2017.

The following are the minimum payments required for existing operating leases:

<u>Year</u>	General Fund	Library Board Fund
2018	\$13,970	\$4,613
2019		1,627
2020		1,627
2021		1,220
Total	\$13,970	\$9,807

NOTE 9. INTERFUND TRANSACTIONS AND BALANCES

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:	\$1,187,379	\$ --
Special Revenue Funds:		
Capital Improvements & Vision Fund	1,639,772	
Utility Facilities	1,197,595	
TID 39 Fund		1,094,490
TID 42 Fund		814,316
TID 56 Fund		383,279
TID 64 Fund		7,233,339
Total Governmental Funds	\$4,024,746	\$9,525,424
Enterprise Funds:		
Wastewater Fund	\$5,815,139	\$ --
Storm Water Utility		314,461
Civic Center Fund	199,252	
Energy Plant Fund		199,252
Total Enterprise Funds	\$6,014,391	\$513,713

The General Fund loaned monies to Tax Increment District 39 Fund for infrastructure improvements. The current portion expected to be repaid to the General Fund is \$26,717.

The General Fund loaned monies to Storm Water Utility Fund for startup operating costs. The current portion expected to be repaid to the General Fund is \$154,717.

The Capital Improvements & Vision Fund loaned monies to Tax Increment District 39 Fund to construct water mains. The current portion expected to be repaid to the Capital Improvements & Vision Fund is \$6,267.

The Capital Improvements & Vision and Wastewater Funds have pending reimbursement of tax proceeds from Tax Increment District 64. The current portion will depend upon tax proceeds collected.

The Utility Facilities Fund loaned monies to Tax Increment District 56 and 42 funds for the construction of water and sewer infrastructure. The current portion expected to be repaid to the Utility Facilities Fund is \$836,642.

The Civic Center Fund loaned monies to the Energy Plant Fund for short-term cash flow needs while waiting for reimbursement from the Civic Center and the Rapid City Area School District. The current portion expected to be repaid to the Civic Center Fund is \$199,252.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. INTERFUND TRANSACTIONS AND BALANCES (Continued)

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

	Transfers In	Transfers Out
GOVERNMENTAL FUNDS:		
General Fund		
Water	84,919	-
Wastewater	52,963	-
Solid Waste	17,878	-
Airport	9,843	-
Nonmajor Enterprise	-	344,946
Nonmajor Governmental	-	35,000
Total General Fund	<u>165,603</u>	<u>379,946</u>
Capital Improvements and Vision Fund		
Utility Facilities	<u>3,459,867</u>	<u>1,500,000</u>
Utility Facilities Fund		
Capital Improvements & Vision Fund	1,500,000	3,459,867
Water	1,250,000	599,345
Wastewater	-	1,702,180
Total Utility Facilities Fund	<u>2,750,000</u>	<u>5,761,392</u>
Nonmajor Governmental	<u>35,000</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 6,410,470</u>	<u>\$ 7,641,338</u>
ENTERPRISE FUNDS:		
Water Fund		
General	\$ -	\$ 84,919
Utility Facilities	599,345	1,250,000
Total Water Fund	<u>599,345</u>	<u>1,334,919</u>
Wastewater Fund		
General	-	52,963
Utility Facilities	1,702,180	-
Total Wastewater Fund	<u>1,702,180</u>	<u>52,963</u>
Solid Waste Fund		
General Fund	<u>-</u>	<u>17,878</u>
Airport Fund		
General Fund	<u>-</u>	<u>9,843</u>
Nonmajor Enterprise		
General Fund	<u>344,946</u>	<u>-</u>
TOTAL ENTERPRISE FUNDS	<u>2,646,471</u>	<u>1,415,603</u>
TOTAL TRANSFERS	<u>\$ 9,056,941</u>	<u>\$ 9,056,941</u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. INTERFUND TRANSACTIONS AND BALANCES (Continued)

Transfers are used when surplus resources are available in one fund, and are needed in another fund to support essential functions of government, when the governing body so authorizes.

NOTE 10. SEGMENT INFORMATION

The City issued separate revenue bonds to finance the Parking Lot and Area Fund. Summary financial information for the non-major enterprise fund is presented below. The Parking Lot and Area administers the downtown parking lots, parking meters, parking ramp and fines.

CONDENSED STATEMENT OF NET POSITION – DECEMBER 31, 2017

Assets	
Current Assets	\$1,104,696
Noncurrent Assets	42,621
Capital Assets	6,432,568
Pension Related Deferred Outflows	48,290
Total Assets	<u>\$7,628,175</u>
Liabilities	
Other Current Liabilities	\$177,908
Noncurrent Liabilities	1,617,624
Total Liabilities	<u>\$1,795,532</u>
Net Position	
Net Investment in Capital Assets	\$4,740,189
Restricted - Revenue Bond Retirement	93,842
Unrestricted	998,612
Total Net Position	<u>\$5,832,643</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
 FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenue	\$667,563
Depreciation Expense	(118,136)
Other Operating Expenses	<u>(315,938)</u>
Operating Income	233,489
Investment Income	9,527
Interest Expense	(57,107)
Sales Tax	25,687
Other	20,000
Change in Net Position	<u>(231,596)</u>
Net Position – Beginning, as previously reported	<u>5,601,047</u>
Ending Net Position	<u>\$5,832,643</u>

CONDENSED STATEMENT OF CASH FLOWS – FOR THE YEAR ENDED DECEMBER 31, 2017

Net Cash Provided (Used) by:	
Operating Activities	\$289,827
Capital and Related Financing Activities	(299,594)
Investing Activities	43,404
Net Increase	33,637
Beginning Cash and Cash Equivalents	671,591
Ending Cash and Cash Equivalents	<u>\$705,228</u>

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11, 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/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general employees, 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. Class A 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. 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. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

- If the SDRS market value funded ratio is 100% or more -- 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 89.9% 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, if the restricted maximum is assumed for future COLAs, the fair value to assets will be greater or equal to the actuarial accrued liabilities.

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

The Variable Retirement Account (VRA) was established during the 2017 legislative session (SDCL 3-12-519 through 3-12-521) and became effective July 1, 2017. The VRA is a flexible benefit provided to each generational member and will be credited with a Variable Retirement Contribution (up to 1.5 percent of compensation funded by part of the employer contribution) each year and investment earnings based on SDRS's net investment return for the fiscal year (through the month prior to distribution if paid out during the fiscal year). The VRA will be payable in addition to the SDRS defined benefit upon retirement, disability, or death. Since the Variable Retirement Account is only available to new hires that start after July 1, 2017, it does not impact the current financial statements.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE II. PENSION PLAN (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to 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. Employees who were members prior to July 1, 2010 may make an additional contribution of 1.50% of their salary for optional spouse coverage.

The City's share of contributions to the SDRS for the fiscal years ended December 31, 2017, 2016, and 2015 were \$2,901,980, \$2,823,742 and \$2,758,308, respectively, equal to the required contributions each year.

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

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

Proportionate share of total pension asset	\$273,726,138
Less: Proportionate share of net position restricted for pension benefits	<u>273,342,962</u>
Proportionate share of net pension asset	<u>\$ (383,176)</u>

At December 31, 2017, the City reported a pension asset of \$383,176 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City's proportion was 2.35078350%, which is a decrease of .064% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension revenue of \$5,808,565. At December 31, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources
Difference between expected and actual experience.	\$ 3,418,230
Changes in assumption.	\$ 16,564,216
Net Difference between projected and actual earnings on pension plan investments.	\$ (4,101,597)
City contributions subsequent to the measurement date.	\$ 1,428,757
TOTAL	<u>\$ 17,309,606</u>

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. PENSION PLAN (Continued)

The City's contributions subsequent to the measurement of \$1,428,757 will be reported as deferred outflows of resources related to pensions and recognized as an addition to the net pension asset in the fiscal year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	
2018	\$4,307,320
2019	\$7,231,032
2020	\$5,316,609
2021	\$974,112
TOTAL	<u><u>\$15,880,849</u></u>

Actuarial Assumptions:

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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	2.0%	0.7%
Total	<u><u>100%</u></u>	

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. PENSION PLAN (Continued)

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability(asset)	\$39,072,537	\$(383,176)	\$(32,204,746)

Pension Plan Fiduciary Net Position:

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

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description:

The City of Rapid City Healthcare Benefit Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Laws 6-1-16 and 9-14-35. An employee hired after 1982 who retires from the City after having met the rule of 75 (Public Safety employees) or 85 (all other municipal employees) may be eligible for health insurance for the retiree and his/her spouse and eligible children through the Plan. Benefit coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage. Benefit provisions were established and may be amended by the City's Common Council. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City's Common Council. An employee hired prior to 1982 who retires from the City after having met the rule of 75 (Public Safety employee) or 85 (all other municipal employees) may be eligible for health insurance with the City paying 100% of the full active premium rates for the retiree only, until the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for his/her spouse and eligible children.

The health plan is a self-insured PPO providing benefits to eligible participants. Currently, there are 727 active participants and 145 retirees who are participating in the plan.

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation:

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

ARC	\$ 1,317,884
Interest on Net OPEB	127,059
Adjustment to ARC	<u>(141,176)</u>
Annual OPEB Cost	1,303,767
Contributions Made	<u>(816,360)</u>
Change in net OPEB obligation	487,407
Net OPEB obligation-beg of year	<u>4,235,292</u>
Net OPEB obligation-end of year	<u>\$ 4,722,699</u>

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
12/31/2014	\$1,312,493	\$569,336	43.38%	\$3,914,306
12/31/2015	\$1,339,300	\$1,209,361	90.29%	\$4,044,245
12/31/2016	\$1,278,047	\$1,087,000	85.05%	\$4,235,292
12/31/2017	\$1,303,767	\$816,360	83.41%	\$4,722,699

Funded Status and Funding Progress:

As of January 2016 most recent actuarial valuation date, the Plan's statistics were as follows:

Actuarial Present Value of Future Benefits.....	<u>\$24,684,074</u>
Actuarial Accrued Liability.....	\$16,104,093
Actuarial Value of Benefit Assets.....	-
Unfunded Actuarial Accrued Liability.....	<u>\$16,104,093</u>
Funded Ratio.....	0.0%
Covered Payroll.....	\$47,363,395
Unfunded Actuarial Accrued Liability as a percentage Of Covered Payroll.....	34.01%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN (Continued)

In the City's 2017 actuarial valuation, the entry age method was used. The actuarial assumptions included a 3% rate of return and an annual healthcare cost trend rate of 3% initially, increased by increments to an ultimate rate of 5.7% after 30 years. Both rates include a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2017 was 30 years.

NOTE 13. 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: TID 56 (\$342,055), TID 39 (\$1,094,485), TID 64 (\$7,228,280) TID 69 (\$1,635) and TID 42 (\$766,869) which will be funded through property tax revenues received on the respective tax increment district. In addition, there was a deficit fund balance in the Workers Compensation Fund of (\$2,047,663) which will be funded through increased charges to the various departments and the RSVP Fund (\$2,715) which will be eliminated through program restructure.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carried commercial insurance for insurable risks of loss except for employee health insurance, liability insurance, worker's compensation and unemployment benefits. The City has established self-insurance internal service funds to pay for medical, worker's compensation and unemployment compensation claims of City employees and their covered dependents as well as the deductible portion of liability claims.

Payments to the self-insurance funds are actuarially determined and are to cover individual claims up to \$100,000 for health insurance, \$900,000 for workers' compensation, and any administrative costs relative to the processing of the claims. Maximum payment for liability claim is \$100,000.

The claims exceeding this amount are covered through private insurance carriers (up to \$5,000,000 per claim for liability claims). An estimated liability for claims incurred but not paid is accrued based upon confirmation from the City's third party administrators for claims received within 60 days of year-end, and are reported as accounts payable. The City is a reimbursable employer for purposes of unemployment insurance.

The City has a reserve equity deficit in the workers compensation fund of (\$2,047,663) and reserve equity in the medical insurance fund of \$8,776,188, in the unemployment insurance fund of \$43,634 and in the liability insurance fund of \$1,128,786 for the payment of such future claims.

Changes in the aggregate liabilities of the self-insurance funds during 2016 were as follows:

	Liability Insurance	Workers Comp. Insurance	Medical Insurance	Unemployment Insurance
Benefit Claims Payable at January 1, 2016	\$468,239	\$3,501,206	\$742,364	\$11,862
Claims Incurred: Attributable to Insured Events of the Current Year	52,991	629,015	6,487,421	38,563
Claims Paid: Attributable to Insured Events of the Current and Prior Years	(418,045)	(583,415)	(6,778,836)	(50,425)
Benefit Claims Payable December 31, 2016	\$103,185	\$3,546,806	\$450,949	\$0-

CITY OF RAPID CITY, SOUTH DAKOTA
 NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (Continued)

Changes in the aggregate liabilities of the self-insurance funds during 2017 were as follows:

	Liability Insurance	Workers Comp. Insurance	Medical Insurance	Unemployment Insurance
Benefit Claims Payable at January 1, 2017	\$103,185	\$3,546,806	\$450,949	\$-0-
Claims Incurred: Attributable to Insured Events of the Current Year	220,659	1,839,777	7,991,660	34,382
Claims Paid: Attributable to Insured Events of the Current and Prior Years	(220,546)	(678,846)	(7,879,174)	(34,382)
Benefit Claims Payable December 31, 2017	\$103,298	\$4,707,737	\$563,435	\$-0-

NOTE 15. CONTINGENT LIABILITIES

The City has been named as defendant in several lawsuits that have been referred to the City's insurance carriers. The City and its attorneys believe that any liability to the City would not be material, and that loss, if any, could be covered by insurance or would be substantially covered by the City's reserve for uninsured claims. The deductible is \$100,000 for general and auto liability and professional liability, and \$50,000 for building and property damage.

The City participates in a number of federally assisted grant programs. Federal financial assistance programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by granting agencies, is not determinable at this time; however, City officials do not believe that such amounts would be significant.

NOTE 16. LANDFILL

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,275,000 reported as landfill closure and postclosure care liability at December 31, 2017 represents the cumulative amount reported to date based on 22.9% percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$7.53 million as the remaining estimated capacity is filled.

These costs are based on a 5% yearly inflation index. The City expects to close the landfill in the year 2034. The City does not record a remediation liability as management feels insurance coverage is adequate.

However, the recycling plant, in addition to the department's yard waste and proposed composting facility, are expected to extend the life. Actual costs may be higher or lower due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements, and, at December 31, 2017, investments of \$2,275,000 (Note 2) is held for these purposes. These contributions for the future closure and post-closure care of the landfill will be used to retire the non-current liability for closure and post-closure care reported on the enterprise balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 17. TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under SDCL 11-9. Under these agreements, the City may grant property tax abatements of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

For the year ended December 31, 2017, the City abated property taxes totaling \$1,315,898 under this program, for the following tax abatement agreements:

TID 64- Cabela's – A 46.6% property tax abatement to Cabela's in the form of economic development and land for opening a store in an undeveloped area of the city. The abatement amounted to \$1,267,605.

TID 72 – Saint Joseph Street Student Housing – A 44.3% property tax abatement to a local developer for the purchase of land, demolition/cleanup and reconstruction costs associated with the development of a student apartment complex. The abatement amounted to \$ 48,293.

CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)	VARIANCE
Revenues:				
310 Taxes:				
311 General Property Taxes	\$ 15,701,949	\$ 15,701,949	\$ 16,542,511	\$ 840,562
313 General Sales and Use Taxes	29,748,775	29,748,775	25,721,941	(4,026,834)
314 Gross Receipts Business Taxes	-	-	674,563	674,563
320 Licenses and Permits	2,333,658	2,333,658	2,578,238	244,580
330 Intergovernmental Revenue:				
331 Federal Grants	2,104,002	2,388,830	2,472,031	83,201
334 State Grants	567,607	567,607	57,838	(509,769)
335 State Shared Revenue:				
335.01 Bank Franchise Tax	-	-	158,155	158,155
335.03 Liquor Tax Reversion	-	-	441,526	441,526
335.04 Motor Vehicle Licenses (5%)	-	-	33,486	33,486
335.06 Fire Insurance Reversion	-	-	240,225	240,225
335.08 Local Government Highway and Bridge Fund	-	-	696,716	696,716
338 County Shared Revenue:				
338.01 County Road Tax (25%)	-	-	548,043	548,043
340 Charges for Goods and Services:				
341 General Government	227,000	227,000	302,795	75,795
342 Public Safety	225,500	681,078	2,162,522	1,481,444
343 Public Works	167,000	167,000	118,469	(48,531)
345 Health & Welfare	425,000	425,000	373,117	(51,883)
346 Culture and Recreation	1,504,500	1,504,500	1,990,310	485,810
348 Cemetery	-	-	229,947	
349 Conservation & Development	24,000	24,000	-	(24,000)
350 Fines and Forfeits:				
351 Court Fines and Costs	20,000	20,000	13,885	(6,115)
360 Miscellaneous Revenue:				
361 Interest Earnings	302,500	302,500	322,855	20,355
362 Rentals	108,859	108,859	203,843	94,984
363 Special Assessments	-	-	266,247	
369 Other	510,000	510,000	42,222	(467,778)
Total Revenue	53,970,350	54,710,756	56,191,485	1,480,729
Expenditures:				
410 General Government:				
411 Contingency	50,000	50,000	-	50,000
412 Executive-Mayor & Council	712,366	853,124	843,082	10,042
414 Financial - Community Resources	1,416,603	1,488,212	1,219,643	268,569
414 Financial - Finance	860,615	881,982	817,445	64,537
414 Financial - Attorney	265,577	273,542	227,665	45,877
419 Other - Government Bldgs	888,177	888,177	701,268	186,909
420 Public Safety:				
421 Police	15,732,876	16,194,323	15,889,177	305,146
422 Fire	8,819,513	11,416,716	11,123,218	293,498
429 Other Protection-Code Enforcement	237,182	239,902	185,854	54,048
429 Other Protection-ACE	1,510,499	1,580,400	1,576,230	4,170
429 Other Protection-Emergency Mgt	154,016	154,016	137,510	16,506
430 Public Works:				
431 Highways and Streets	5,224,488	5,241,236	5,184,907	56,329
43x Administration	921,683	1,028,651	799,875	228,776
440 Health and Welfare:				
441 Health	513,494	513,494	497,494	16,000
444 Humane Society	303,318	303,318	298,896	4,422
449 Other - Public Transit	2,157,340	2,163,077	2,039,514	123,563
449 Other - Air Quality	71,076	73,078	61,415	11,663

CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

450 Culture and Recreation:				
451 Recreation	403,411	403,459	389,469	13,990
451 Swimming Pools	2,234,277	2,234,705	2,100,920	133,785
451 Ice Arena	678,432	679,002	608,168	70,834
452 Parks	2,838,940	2,864,025	2,626,855	237,170
455 Libraries	3,417,408	3,601,928	3,335,005	266,923
457 Historic Preservation	36,000	54,274	17,093	37,181
459 Other - Cemetery	275,042	480,034	287,120	192,914
459 Other - Parks & Recreation Admin	713,611	713,794	672,273	41,521
459 Other - Community Investments	909,603	934,746	799,338	135,408
460 Conservation and Development:				
465 Economic Development	417,500	417,500	417,500	-
465 Community Development	116,384	117,339	55,710	61,629
465 Transportation Planning	512,256	579,145	415,400	163,745
465 GIS Information System	192,375	192,377	164,053	28,324
470 Debt Service	265,000	265,000	263,617	1,383
485 Capital Outlay	4,511,048	4,591,572	4,587,615	3,957
Total Expenditures	<u>57,360,110</u>	<u>61,472,148</u>	<u>58,343,329</u>	<u>3,128,819</u>
Excess of Revenue Over (Under)				-
Expenditures	<u>(3,389,760)</u>	<u>(6,761,392)</u>	<u>(2,151,845)</u>	<u>4,609,547</u>
Other Financing Sources (Uses):				
391.01 Transfers In (out)	105,760	660,781	(176,146)	(836,927)
391.03 Sale of Municipal Property	27,500	27,500	22,516	(4,984)
Total Other Financing Sources (Uses)	<u>133,260</u>	<u>688,281</u>	<u>(153,630)</u>	<u>(841,911)</u>
Net Change in Fund Balances	(3,256,500)	(6,073,111)	(2,305,475)	3,767,636
Fund Balance - Beginning	19,411,539	19,411,539	19,411,539	-
FUND BALANCE- ENDING	<u>\$16,155,039</u>	<u>\$13,338,428</u>	<u>\$17,106,064</u>	<u>\$ 3,767,636</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF RAPID CITY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
CAPITAL IMPROVEMENTS & VISION FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)	VARIANCE
Revenues:				
310 Taxes:				
313 General Sales and Use Taxes	\$ 16,079,588	\$ 16,079,588	\$ 25,721,884	\$ 9,642,296
330 Intergovernmental Revenue:				
331 Federal Grants	-	-	-	-
334.02 Surface Transportation Program (STP)	-	-	2,696,298	2,696,298
360 Miscellaneous Revenue:				
361 Interest Earnings	-	-	522,478	522,478
363 Special Assessments			183,262	
367 Contributions and Donations			106,907	
369 Other	-	-	188,222	188,222
Total Revenue	<u>16,079,588</u>	<u>16,079,588</u>	<u>29,419,051</u>	<u>13,049,294</u>
Expenditures:				
410 General Government				
414 Financial - Community Resources	170,000	170,000	165,014	4,986
419 Other - Government Buildings	300,000	300,000	289,970	10,030
430 Public Works:				
431 Highways and Streets	25,000.00	25,000	21,468	3,532
43x Administration	1,725,000	1,725,000	1,723,248	1,752
450 Culture and Recreation				
451 Recreation	20,000	20,000	15,256	4,744
460 Conservation & Development				
465 Economic Development	4,275,380	4,275,380	825,572	3,449,808
470 Debt Service	653,000	653,000	652,363	637
485 Capital Outlay	9,890,173	36,957,409	16,337,885	20,619,524
490 Miscellaneous				
Total Expenditures	<u>17,058,553</u>	<u>44,125,789</u>	<u>20,030,776</u>	<u>24,076,465</u>
Excess of Revenue Over (Under)				
Expenditures	(978,965)	(28,046,201)	9,388,275	37,434,476
Other Financing Uses:				
391.01 Transfers In	1,500,000	2,174,449	1,959,867	(214,582)
391.02 Long-term debt issued	-	-	-	-
Total Other Financing Uses	<u>1,500,000</u>	<u>2,174,449</u>	<u>1,959,867</u>	<u>(214,582)</u>
Net Change in Fund Balances	521,035	(25,871,752)	11,348,142	37,219,894
Fund Balance - Beginning	50,977,734	50,977,734	50,997,734	(20,000)
FUND BALANCE- ENDING	<u>\$ 51,498,769</u>	<u>\$ 25,105,982</u>	<u>\$ 62,345,876</u>	<u>\$ 37,239,894</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF RAPID CITY
 BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
 UTILITY FACILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL (Budgetary Basis)	VARIANCE
Revenues:				
310 Taxes:				
313 General Sales and Use Taxes	\$ 1,570,385	\$ 1,570,385	\$ 4,472,476	\$ 2,902,091
360 Miscellaneous Revenue:				
361 Interest Earnings	-	-	223,413	223,413
Total Revenue	<u>1,570,385</u>	<u>1,570,385</u>	<u>4,698,744</u>	<u>3,128,359</u>
Expenditures:				
470 Debt Service	1,570,385	1,573,358	1,574,152	(794)
Total Expenditures	<u>1,570,385</u>	<u>1,573,358</u>	<u>1,574,152</u>	<u>(794)</u>
Excess of Revenue Over (Under) Expenditures	-	(2,973)	3,124,592	3,127,565
Other Financing Sources (Uses):				
391.01 Transfers In (Out)	-	-	(3,011,392)	(3,011,392)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,011,392)</u>	<u>(3,011,392)</u>
Net Change in Fund Balances	-	(2,973)	113,200	116,173
Fund Balance - Beginning	9,134,926	9,134,926	9,134,926	-
FUND BALANCE- ENDING	<u>\$ 9,134,926</u>	<u>\$ 9,131,953</u>	<u>\$ 9,248,126</u>	<u>\$ 116,173</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF RAPID CITY, SOUTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Note 1. Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operation 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 five percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF RAPID CITY
 SCHEDULE OF FUNDING PROGRESS
 FOR RETIREE HEALTH INSURANCE COVERAGE
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule of Funding Progress for the Retiree Health Insurance Coverage

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ -	\$ 18,669,804	\$ 18,669,804	0.0%	\$ 35,742,638	52.2%
12/31/2014	\$ -	\$ 16,504,385	\$ 16,504,385	0.0%	\$ 36,398,321	45.3%
12/31/2015	\$ -	\$ 16,645,428	\$ 16,645,428	0.0%	\$ 37,934,874	43.9%
12/31/2016	\$ -	\$ 15,985,399	\$ 15,985,399	0.0%	\$ 38,757,875	41.2%
12/31/2017	\$ -	\$ 16,104,093	\$ 16,104,093	0.0%	\$ 47,363,396	34.0%

CITY OF RAPID CITY
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

South Dakota Retirement System

	2017	2016	2015
Contractually required contribution	\$ 2,901,980	\$ 2,823,742	\$ 2,758,308
Contributions in relation to the contractually required contribution	\$ 2,901,980	\$ 2,823,742	\$ 2,758,308
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Municipality's covered-employee payroll	\$ 47,363,396	\$ 43,669,915	\$ 40,981,064
Contributions as a percentage of covered-employee payroll	6.13%	6.47%	6.73%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF RAPID CITY
 PROPORTIONATE SHARE OF THE NET PENSION ASSET
 FOR THE YEAR ENDED DECEMBER 31, 2017**

South Dakota Retirement System

	2017	2016	2015
City's proportion of the net pension asset	2.35078350%	2.41148565%	2.39749350%
City's proportionate share of net pension liability (asset) *	\$ (383,176)	\$ 8,157,148	\$ (10,168,455)
City's covered-employee payroll	\$ 42,836,501	\$ 40,621,932	\$ 38,764,455
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	-0.89%	20.08%	-26.23%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	96.89%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF RAPID CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Occupancy Tax Fund	Downtown BID Tax Fund	Erosion/ Sediment Control Fund
ASSETS:			
Assets:			
101 Cash and Cash Equivalents	\$ 79,942	\$ 184,515	\$ 45,860
102 Restricted Cash	-	-	-
151 Investments	-	-	-
110 Property Tax Receivable	-	-	-
115 Accounts Receivable, Net	84,665	-	-
121 Special Assessments Receivable--Current	-	5,608	-
123 Special Assessments Receivable--Deferred	-	26,727	-
131 Due from Funds	-	-	-
132 Due from Other Government	-	-	-
135 Interest Receivable	-	1,417	-
TOTAL ASSETS :	\$ 164,607	\$ 218,267	\$ 45,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
201 Claims Payable	\$ 155,049	\$ 183,195	\$ -
208 Due to Other Funds	-	-	-
209 Advance from Other Funds	-	-	-
216 Wages Payable	413	-	1,440
Total Liabilities	155,462	183,195	1,440
Deferred Inflows of Resources:			
245 Unavailable Revenue -- Property Taxes	-	33,819	-
246 Unavailable Revenue -- Special Assessments	-	-	-
Total Deferred Inflows of Resources:	-	33,819	-
Fund Balances:			
263 Nonspendable			
263.51 Perpetual Care Cemetery	-	-	-
264 Restricted for:			
264.01 Debt Service	-	-	-
264.03 Cemetery Perpetual Care	-	-	-
264.05 Library	-	-	-
264.09 Business Improvement District	9,145	1,253	-
264.97 Grant Expenditures	-	-	-
265 Committed to:			
265.99 Erosion/Sediment Control	-	-	44,420
267 Unassigned	-	-	-
Total Fund Balances	9,145	1,253	44,420
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	\$ 164,607	\$ 218,267	\$ 45,860

CITY OF RAPID CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

TID 72 Fund	TID 74 Fund	TID 70 Fund	TID 68 Fund	TID 67 Fund	TID 66 Fund	TID 65 Fund
\$ 166	\$ 48,616	\$ 96,596	\$ 164,266	\$ 1,737,854	2	\$ 1,153,436
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,187	-	1
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 166</u>	<u>\$ 48,616</u>	<u>\$ 96,596</u>	<u>\$ 164,266</u>	<u>\$ 1,740,041</u>	<u>2</u>	<u>\$ 1,153,437</u>
\$ -	\$ -	\$ 81,633	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	81,633	-	-	-	-
-	-	-	-	119	-	1
-	-	-	-	119	-	1
-	-	-	-	-	-	-
166	48,616	14,963	164,266	1,739,922	2	1,153,436
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>166</u>	<u>48,616</u>	<u>14,963</u>	<u>164,266</u>	<u>1,739,922</u>	<u>2</u>	<u>1,153,436</u>
\$ 166	\$ 48,616	\$ 96,596	\$ 164,266	\$ 1,740,041	2	\$ 1,153,437

CITY OF RAPID CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

TID 64 Fund	TID 29 Fund	TID 56 Fund	TID 69 Fund	TID 54 Fund	TID 50 Fund	TID 52 Fund
\$ 1,508	\$ 2,297	\$ 21	\$ 142	\$ 458	\$ (253)	\$ 406
-	-	-	-	-	-	-
3,551	-	42,493	(1,777)	2,163	9,020	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 5,059	\$ 2,297	\$ 42,514	\$ (1,635)	\$ 2,621	\$ 8,767	\$ 406
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	210,721	-	-	-	-
7,233,339	-	172,558	-	-	-	-
-	-	-	-	-	-	-
7,233,339	-	383,279	-	-	-	-
-	-	1,290	-	401	5,807	-
-	-	1,290	-	401	5,807	-
-	-	-	-	-	-	-
-	2,297	-	(1,635)	2,220	2,960	406
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,228,280)	-	(342,055)	-	-	-	-
(7,228,280)	2,297	(342,055)	(1,635)	2,220	2,960	406
\$ 5,059	\$ 2,297	\$ 42,514	\$ (1,635)	\$ 2,621	\$ 8,767	\$ 406

CITY OF RAPID CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

TID 71 Fund	TID 53 Fund	TID 47 Fund	TID 38 Fund	TID 39 Fund	TID 42 Fund	Community Development Fund
\$ 23	\$ -	\$ 1	\$ 35,790	\$ 5	\$ -	\$ -
-	-	-	-	-	-	56,095
-	1,777	-	1,500	-	49,017	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	93,305
\$ 23	\$ 1,777	\$ 1	\$ 37,290	\$ 5	\$ 49,017	\$ 149,400
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,946
-	-	-	-	32,984	625,922	-
-	-	-	-	1,061,506	188,394	-
-	-	-	-	-	-	3,729
-	-	-	-	1,094,490	814,316	125,675
-	-	-	-	-	1,570	-
-	-	-	-	-	1,570	-
-	-	-	-	-	-	-
23	1,777	1	37,290	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	23,725
-	-	-	-	-	-	-
-	-	-	-	(1,094,485)	(766,869)	-
23	1,777	1	37,290	(1,094,485)	(766,869)	23,725
\$ 23	\$ 1,777	\$ 1	\$ 37,290	\$ 5	\$ 49,017	\$ 149,400

CITY OF RAPID CITY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

Rehabilitation Loan/Grant Fund	Cemetery Perpetual Care Fund	Retired Senior Volunteer Fund	Library Board Fund	Total Nonmajor Governmental Funds
\$ -	\$ 53,534	\$ 25	\$ 950	\$ 3,606,160
61,142	-	-	29,597	146,834
-	42,387	-	-	42,387
-	-	-	-	107,745
-	953	-	4,874	92,679
-	-	-	-	5,608
-	-	-	-	26,727
-	876	-	-	94,181
-	-	-	-	1,417
<u>\$ 61,142</u>	<u>\$ 97,750</u>	<u>\$ 25</u>	<u>\$ 35,421</u>	<u>\$ 4,123,738</u>
\$ -	\$ -	\$ 183	\$ 1,346	\$ 543,352
-	-	-	-	869,627
-	-	-	-	8,655,797
-	-	2,557	673	8,812
-	-	2,740	2,019	10,077,588
-	-	-	-	43,007
-	-	-	-	43,007
-	50,000	-	-	50,000
-	-	-	-	3,166,710
-	47,750	-	-	47,750
-	-	-	33,402	33,402
-	-	-	-	10,398
61,142	-	-	-	84,867
-	-	-	-	44,420
-	-	(2,715)	-	(9,434,404)
<u>61,142</u>	<u>97,750</u>	<u>(2,715)</u>	<u>33,402</u>	<u>(5,996,857)</u>
\$ 61,142	\$ 97,750	\$ 25	\$ 35,421	\$ 4,123,738

CITY OF RAPID CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Occupancy Tax Fund	Downtown BID Fund	Erosion/ Sediment Control Fund	TID 77 Fund	TID 72 Fund
Revenues:					
310 Taxes:					
311 General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 48,293
314 Gross Business Receipts Tax	1,561,626	-	-	-	-
331 Federal Grants	-	-	-	-	-
340 Charges for Goods and Services:					
348 Cemetery	-	-	-	-	-
349 Other-Conservation & Development	-	-	66,650	-	-
350 Fines and Forfeitures					
354 Library	-	-	-	-	-
360 Miscellaneous Revenue:					
361 Investment Earnings	627	235	-	-	-
363 Special Assessments	-	203,289	-	-	-
367 Contributions and Donations	-	-	-	-	-
Total Revenue	1,562,253	203,524	66,650	-	48,293
Expenditures:					
450 Culture and Recreation:					
455 Libraries	-	-	-	-	-
459 Retired Senior Volunteers	-	-	-	-	-
459 Cemetery	-	-	-	-	-
460 Conservation and Development:					
465 Economic Development	-	-	-	183,483	-
465 Community Development	-	-	62,721	-	-
470 Debt Service	-	-	-	-	48,293
485 Capital Outlay	-	-	-	-	-
492 Other Expenditures	1,562,239	367,784	-	-	-
Total Expenditures	1,562,239	367,784	62,721	183,483	48,293
Excess of Revenue Over (Under)					
Expenditures	14	(164,260)	3,929	(183,483)	-
Other Financing Sources (Uses):					
391.01 Transfers In	-	-	-	-	-
391.02 Long-term debt issued	-	-	-	183,483	-
Total Other Financing Sources (Uses)	-	-	-	183,483	-
Net Change in Fund Balances	14	(164,260)	3,929	-	-
Fund Balance (Deficit) - Beginning	9,131	165,513	40,491	-	166
FUND BALANCE (Deficit) - ENDING	\$ 9,145	\$ 1,253	\$ 44,420	\$ -	\$ 166

CITY OF RAPID CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	TID 74 Fund	TID 70 Fund	TID 68 Fund	TID 67 Fund	TID 66 Fund	TID 65 Fund	TID 64 Fund
\$	48,548	\$ 96,478	\$ 160,676	\$ 363,435	\$ -	\$ 929,338	\$ 1,267,605
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	68	118	362	3,901	16	2,439	4
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	48,616	96,596	161,038	367,336	16	931,777	1,267,609
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	81,785	118,900	-	16,855	535,343	280,416
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	81,785	118,900	-	16,855	535,343	280,416
	48,616	14,811	42,138	367,336	(16,839)	396,434	987,193
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	48,616	14,811	42,138	367,336	(16,839)	396,434	987,193
	-	152	122,128	1,372,586	16,841	757,002	(8,215,473)
\$	48,616	\$ 14,963	\$ 164,266	\$ 1,739,922	\$ 2	\$ 1,153,436	\$ (7,228,280)

CITY OF RAPID CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

TID 29 Fund	TID 56 Fund	TID 69 Fund	TID 54 Fund	TID 50 Fund	TID 52 Fund	TID 71 Fund
\$ -	\$ 1,429,333	\$ 1,044,325	\$ 422,202	\$ 564,165	\$ 27,383	\$ 220,424
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6	56	-	-	3	1	77
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6	1,429,389	1,044,325	422,202	564,168	27,384	220,501
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,212,422	1,046,102	435,301	569,180	27,025	237,546
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,212,422	1,046,102	435,301	569,180	27,025	237,546
6	216,967	(1,777)	(13,099)	(5,012)	-	(17,045)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6	216,967	(1,777)	(13,099)	(5,012)	359	(17,045)
2,291	(559,022)	142	15,319	7,972	47	17,068
\$ 2,297	\$ (342,055)	\$ (1,635)	\$ 2,220	\$ 2,960	\$ 406	\$ 23

CITY OF RAPID CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

TID 53 Fund	TID 47 Fund	TID 38 Fund	TID 39 Fund	TID 40 Fund	TID 42 Fund	Community Development Fund
\$ -	\$ 395,451	\$ 620,058	\$ 71,049	\$ 72,709	\$ 685,960	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	441,496
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	193,576
-	-	830	-	-	-	-
-	-	-	-	-	-	-
-	-	20,000	-	-	-	-
-	395,451	640,888	71,049	72,709	685,960	635,072
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	611,914
-	435,689	1,940,419	93,015	72,709	72,246	-
-	-	1,435,138	-	-	-	-
-	-	20,000	-	-	-	-
-	435,689	3,395,557	93,015	72,709	72,246	611,914
-	(40,238)	(2,754,669)	(21,966)	-	613,714	23,158
-	-	-	-	-	-	-
-	-	2,196,627	-	-	-	-
-	-	2,196,627	-	-	-	-
-	(40,238)	(558,042)	(21,966)	-	613,714	23,158
1,777	40,239	595,332	(1,072,519)	-	(1,380,583)	567
\$ 1,777	\$ 1	\$ 37,290	\$ (1,094,485)	\$ -	\$ (766,869)	\$ 23,725

CITY OF RAPID CITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

Rehab Loan/Grant Fund	Cemetery Perpetual Care Fund	Retired Senior Volunteer Fund	Library Board Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,467,432
-	-	-	-	1,561,626
-	-	47,101	-	488,597
-	11,597	-	-	11,597
12,098	-	-	-	78,748
-	-	-	69,941	69,941
-	-	-	-	193,576
54	29	-	604	9,430
-	-	-	-	203,289
-	-	28,521	-	48,521
<u>12,152</u>	<u>11,626</u>	<u>75,622</u>	<u>70,545</u>	<u>11,132,757</u>
-	-	-	49,230	49,230
-	-	114,580	-	114,580
-	73	-	-	73
-	-	-	-	183,483
8,185	-	-	-	682,820
-	-	-	-	7,223,246
-	-	-	-	1,435,138
-	-	-	-	1,950,023
<u>8,185</u>	<u>73</u>	<u>114,580</u>	<u>49,230</u>	<u>11,638,593</u>
3,967	11,553	(38,958)	21,315	(505,836)
-	-	35,000	-	35,000
-	-	-	-	2,380,110
-	-	35,000	-	2,415,110
<u>3,967</u>	<u>11,553</u>	<u>(3,958)</u>	<u>21,315</u>	<u>1,909,274</u>
57,175	86,197	1,243	12,087	(7,906,131)
<u>\$ 61,142</u>	<u>\$ 97,750</u>	<u>\$ (2,715)</u>	<u>\$ 33,402</u>	<u>\$ (5,996,857)</u>

CITY OF RAPID CITY
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2017

	Solid Waste Collection Fund	Stormwater Enterprise Fund	Executive Golf Course Fund	Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund
ASSETS:						
Current Assets:						
101 Cash and Cash Equivalents	\$ 2,545,533	\$ 3,609,103	\$ 40,577	\$ 7,080	\$ 527,848	\$ 2,405
106 Cash with Fiscal Agent	-	-	-	-	177,380	-
151 Investments	-	-	-	-	309,562	-
115 Accounts Receivable	235,181	-	1,001	47,047	187,912	-
116 Estimated Uncollectable Accounts Receivable	(60,000)	-	-	-	(100,000)	-
117 Unbilled Accounts Receivable	40,477	-	-	-	-	-
110 Sales Tax Receivable	14,273	-	-	-	891	-
121 Special Assessments Receivable--Current	-	2,335,811	-	-	-	-
122 Special Assessments Receivable--Delinquent	-	13,937	-	-	-	-
132 Due from Other Governments	-	-	-	-	-	41,714
135 Interest Receivable	-	-	-	-	1,103	-
142 Inventory of Stores	-	4,589	20,315	-	-	-
Total Current Assets	2,775,464	5,963,440	61,893	54,127	1,104,696	44,119
Noncurrent Assets:						
157 Unamortized Discount	-	-	-	-	42,621	-
196 Net Pension Asset (Note)	-	9,085	6,976	-	-	-
Capital Assets:						
160 Land	138,430	8,943	596,356	1,424,242	2,212,499	-
162 Buildings	-	-	180,240	1,610,540	4,908,332	3,521,086
164 Improvements Other than Bldg	730,359	54,073,204	1,513,201	2,974,595	955,299	-
164 Furniture & Equipment	3,450,699	468,699	84,244	761,952	23,139	54,216
166 Machinery and Equipment	819,676	398,139	6,449	169,043	16,025	20,557
168 Construction Work in Progress	-	2,722,525	-	-	-	-
Less: Accumulated Depreciation	(1,877,647)	(10,754,613)	(987,449)	(2,745,236)	(1,682,726)	(732,775)
Total Noncurrent Assets	3,261,517	46,925,982	1,400,017	4,195,136	6,475,189	2,863,084
Deferred Outflows of Resources:						
196 Pension Related Deferred Outflows	286,056	105,487	15,113	51,812	48,290	-
Total Deferred Outflows of Resources:	286,056	105,487	15,113	51,812	48,290	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,323,037	\$ 52,994,909	\$ 1,477,023	\$ 4,301,075	\$ 7,628,175	\$ 2,907,203
LIABILITIES:						
Current Liabilities:						
202 Accounts Payable	\$ 15,555	132,965	148	5,542	26,534	5,877
208 Due to Other Funds	-	154,717	-	-	-	199,252
215 Accrued Interest Payable	-	-	-	-	8,737	-
216 Wages Payable	23,572	9,878	1,657	4,830	3,082	9,873
226 OPEB Current Obligations	17,448	9,658	1,598	4,778	3,555	9,447
226 Bonds Payable Current:	-	-	-	-	135,000	-
226 Notes Payable Current:	-	-	-	51,380	-	-
226 Capital Lease Payable Current	-	-	-	-	-	-
230 Compensated Absences Payable -- Current	2,000	1,000	-	1,000	1,000	2,000
Total Current Liabilities	58,575	308,218	3,403	67,530	177,908	226,449
Noncurrent Liabilities:						
209 Advance from Other Funds	-	159,744	-	-	-	-
231 OPEB Long-Term Obligations	64,593	35,753	5,916	17,687	13,159	34,973
231 Bonds Payable:	-	-	-	-	1,600,000	-
231 Notes Payable:	-	-	-	84,567	-	-
231 Capital Lease Payable	-	-	-	-	-	-
233 Accrued Leave Payable	41,386	15,703	1,819	16,668	4,465	116,818
Total Noncurrent Liabilities	105,979	211,200	7,735	118,922	1,617,624	151,791
NET POSITION:						
253.10 Net Investment in Capital Assets	3,261,517	46,916,897	1,393,041	4,143,756	4,740,189	2,863,084
253.20 Restricted Net Position, Restricted for:						
253.22 Revenue Bond Retirement	-	-	-	-	93,842	-
253.29 SDRS - Pension	286,056	114,572	22,089	51,812	48,290	-
253.90 Unrestricted Net Position	2,610,910	5,444,022	50,755	(80,945)	950,322	(334,121)
Total Net Position	6,158,483	52,475,491	1,465,885	4,114,623	5,832,643	2,528,963
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,323,037	\$ 52,994,909	\$ 1,477,023	\$ 4,301,075	\$ 7,628,175	\$ 2,907,203

Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$ 943,135	\$ 4,849	\$ 7,680,530
-	-	177,380
-	-	309,562
8,678,123	-	9,149,264
(6,090,000)	-	(6,250,000)
-	-	40,477
-	-	15,164
-	-	2,335,811
-	-	13,937
-	-	41,714
-	-	1,103
-	-	24,904
<u>3,531,258</u>	<u>4,849</u>	<u>13,539,846</u>
-	-	42,621
-	-	16,061
-	267,567	4,648,037
30,659	916,934	11,167,791
-	1,679,939	61,926,597
489,867	-	5,332,816
1,326,468	-	2,756,357
-	-	2,722,525
(1,265,184)	(1,532,778)	(21,578,408)
<u>581,810</u>	<u>1,331,662</u>	<u>67,034,397</u>
968,366	-	1,475,124
<u>968,366</u>	<u>-</u>	<u>1,475,124</u>
\$ 5,081,434	\$ 1,336,511	\$ 82,049,367
36,811	5,101	228,533
-	-	353,969
4,153	-	12,890
7,168	-	60,060
59,760	-	106,244
-	-	135,000
-	-	51,380
116,625	-	116,625
3,000	-	10,000
<u>227,517</u>	<u>5,101</u>	<u>1,074,701</u>
-	-	159,744
221,238	-	393,319
-	-	1,600,000
-	-	84,567
26,968	-	26,968
44,573	-	241,432
<u>292,779</u>	<u>-</u>	<u>2,506,030</u>
420,612	1,331,662	65,070,758
-	-	93,842
968,366	-	1,491,185
3,172,160	(252)	1,475,124
<u>4,561,138</u>	<u>1,331,410</u>	<u>78,468,636</u>
\$ 5,081,434	\$ 1,336,511	\$ 82,049,367

CITY OF RAPID CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2017

	Solid Waste Collection Fund	Stormwater Enterprise Fund	Cemetery Enterprise Fund	Executive Golf Course Fund
Operating Revenue:				
380 Charges for Goods and Services	\$ 2,755,667	\$ 2,464,820	\$ -	\$ 191,744
Total Operating Revenue	<u>2,755,667</u>	<u>2,464,820</u>		<u>191,744</u>
Operating Expenses:				
410 Personal Services	872,526	398,670	-	105,128
420 Other Current Expense	1,026,129	138,225	-	128,632
426.2 Materials (Cost of Goods Sold)	-	16,415	-	928
457 Depreciation	360,542	1,333,377	-	34,912
Total Operating Expenses	<u>2,259,197</u>	<u>1,886,687</u>	<u>-</u>	<u>269,600</u>
Operating Income (Loss)	<u>496,470</u>	<u>578,133</u>	<u>-</u>	<u>(77,856)</u>
Nonoperating Revenue (Expense):				
361 Investment Earnings (Loss)	5,748	-	-	154
470 Interest Expense and Fiscal Charges	-	(15,089)	-	-
(492)366 Gain (Loss) on Disposition of Capital Assets	-	-	-	-
369.01 Sales Tax	123,140	-	-	13,831
369.01 Other	9	137	-	5
Total Nonoperating Revenue (Expense)	<u>128,897</u>	<u>(14,952)</u>	<u>-</u>	<u>13,990</u>
Income (Loss) Before Transfers	<u>625,367</u>	<u>563,181</u>	<u>-</u>	<u>(63,866)</u>
511 Transfers Out	-	-	(38,197)	-
391.1 Transfers In	-	-	-	49,000
391.7 Capital Contributions	-	2,642,130	-	-
391.7 Contribution from Developers/Others	-	2,798,990	-	-
391.7 Capital Asset Transfers	(93,134)	-	-	-
Net Transfers	<u>(93,134)</u>	<u>5,441,120</u>	<u>-</u>	<u>49,000</u>
Change in Net Position	<u>532,233</u>	<u>6,004,301</u>	<u>(38,197)</u>	<u>(14,866)</u>
Net Position - Beginning, as previously reported	5,626,250	46,471,190	38,197	1,480,751
NET POSITION - ENDING	<u>\$ 6,158,483</u>	<u>\$ 52,475,491</u>	<u>\$ -</u>	<u>\$ 1,465,885</u>

Enterprise Funds

Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund	Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$ 915,170	\$ 667,563	\$ 596,856	\$ 3,996,173	\$ 12,298	\$ 11,600,291
915,170	667,563	596,856	3,996,173	12,298	11,600,291
379,725	139,014	471,442	3,004,394	-	5,370,899
588,431	176,924	170,696	867,758	73,579	3,170,374
11,893	-	-	-	-	29,236
218,118	118,136	66,124	200,796	168,944	2,500,949
1,198,167	434,074	708,262	4,072,948	242,523	11,071,458
(282,997)	233,489	(111,406)	(76,775)	(230,225)	528,833
122	9,527	-	8,978	-	24,529
(4,941)	(57,107)	-	(9,131)	-	(86,268)
404	-	-	-	-	404
61,361	25,687	-	74	-	224,093
2,149	20,000	-	178,124	2,835	203,259
59,095	(1,893)	-	178,045	2,835	366,017
(223,902)	231,596	(111,406)	101,270	(227,390)	894,850
-	-	-	-	-	(38,197)
160,000	-	25,000	-	110,946	344,946
19,840	-	-	-	-	2,661,970
-	-	-	-	-	2,798,990
-	-	-	-	-	(93,134)
179,840	-	25,000	-	110,946	5,712,772
(44,062)	231,596	(86,406)	101,270	(116,444)	6,569,425
4,158,685	5,601,047	2,615,369	4,459,868	1,447,854	71,899,211
\$ 4,114,623	\$ 5,832,643	\$ 2,528,963	\$ 4,561,138	\$ 1,331,410	\$ 78,468,636

CITY OF RAPID CITY
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 FOR YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds		
	Solid Waste Collection Fund	Stormwater Enterprise Fund	Executive Golf Course Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipt from Customers	\$ 2,980,281	\$ 2,426,611	\$ 191,691
Payments to Suppliers	(1,039,793)	(72,718)	(130,581)
Payments to Employees	(1,006,555)	(434,783)	(110,175)
Net Cash Provided (Used) by Operating Activities	<u>933,933</u>	<u>1,919,110</u>	<u>(49,065)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Receipt from Interfund Services Provided	-	-	-
Internal Activity - Payment to/from Other Funds	-	(149,847)	-
Transfers In	-	-	49,000
Transfers Out	-	-	-
Net Cash Provided (Used) by Operating Subsidies and Transfers	<u>-</u>	<u>(149,847)</u>	<u>49,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt	-	-	-
Purchase of Capital Assets	(153,080)	(1,126,914)	-
Principal Paid on Capital Debt	-	-	-
Interest Paid on Capital Debt	-	(15,089)	-
Other Receipts (Payments)	123,149	137	13,836
Net Cash (Used) by capital and related financing Activities	<u>(29,931)</u>	<u>(1,141,866)</u>	<u>13,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Earnings (Loss)	5,748	-	1,717
Net Cash Provided by Investing Activities	<u>5,748</u>	<u>-</u>	<u>1,717</u>
Net Increase (Decrease) in Cash and Cash Equivalents	909,750	627,397	15,488
Balances - Beginning	<u>1,635,783</u>	<u>2,981,706</u>	<u>25,089</u>
Balances- Ending	<u>\$ 2,545,533</u>	<u>\$ 3,609,103</u>	<u>\$ 40,577</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 496,470	\$ 578,133	\$ (77,856)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	360,542	1,333,377	34,912
Change in Assets and Liabilities:			
Receivables	224,614	(38,209)	(53)
Inventories	-	(1,807)	2,101
Accounts and Other Payables	(13,664)	83,729	(3,122)
Accrued Wages Payable	6,072	2,974	401
Accrued Leave Payable	(997)	3,253	(361)
Accrued Other Post Employment Benefits	19,674	12,078	1,706
Pension (Asset)/Liability	(114,180)	(50,358)	(6,286)
Pension Related Deferred Outflows	(44,598)	(4,060)	(507)
Net Cash Provided (Used) by Operating Activities	<u>\$ 933,933</u>	<u>\$ 1,919,110</u>	<u>\$ (49,065)</u>

Golf Course Enterprise Fund	Parking Lot Enterprise Fund	Energy Plant Enterprise Fund	Ambulance Enterprise Fund	Transportation Terminal Fund	Totals
\$ 905,726	\$ 686,354	\$ 618,646	\$ 3,950,272	\$ 13,244	\$ 11,772,825
(596,774)	(236,181)	(164,833)	(857,569)	(73,453)	(3,171,902)
(379,264)	(160,346)	(459,595)	(3,415,095)	-	(5,965,813)
(70,312)	289,827	(5,782)	(322,392)	(60,209)	2,635,110
-	-	-	-	-	-
(94,178)	-	(20,000)	-	(50,000)	(314,025)
160,000	-	25,000	-	110,946	344,946
-	-	-	-	-	-
65,822	-	5,000	-	60,946	30,921
-	-	-	-	-	-
-	(153,174)	-	(149,990)	-	(1,583,158)
(50,075)	(135,000)	-	(175,936)	-	(361,011)
(4,941)	(57,107)	-	(9,131)	-	(86,268)
61,038	45,687	-	178,198	2,835	424,880
6,022	(299,594)	-	(156,859)	2,835	(1,605,557)
122	43,404	-	8,978	-	59,969
122	43,404	-	8,978	-	59,969
1,654	33,637	(782)	(470,273)	3,572	1,120,443
5,426	671,591	3,187	1,413,408	1,277	6,737,467
\$ 7,080	\$ 705,228	\$ 2,405	\$ 943,135	\$ 4,849	\$ 7,857,910
\$ (282,997)	\$ 233,489	\$ (111,406)	\$ (76,775)	\$ (230,225)	\$ 528,833
218,118	118,136	66,124	200,796	168,944	2,500,949
(9,444)	18,791	21,790	(45,901)	946	172,534
-	-	-	-	-	294
3,550	(59,257)	5,863	10,189	126	27,414
907	388	883	1,054	-	12,679
1,000	(3,832)	(263)	(680)	-	(1,880)
5,029	1,035	11,227	88,271	-	139,020
5,105	(17,511)	-	(462,088)	-	(645,318)
(11,580)	(1,412)	-	(37,258)	-	(99,415)
\$ (70,312)	\$ 289,827	\$ (5,782)	\$ (322,392)	\$ (60,209)	\$ 2,635,110

CITY OF RAPID CITY
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2017

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Workers Compensation Fund	Totals
ASSETS:					
Current Assets:					
101 Cash and Cash Equivalents	\$ 8,926,501	\$ 1,234,158	\$ 16,669	\$ 1,806,636	\$ 11,983,964
115 Accounts Receivable	214,572	-	-	-	214,572
151 Investments	197,894	-	26,486	852,749	1,077,129
135 Interest Receivable	656	-	479	2,825	3,960
TOTAL ASSETS	\$ 9,339,623	\$ 1,234,158	\$ 43,634	\$ 2,662,210	\$ 13,279,625
LIABILITIES:					
Current Liabilities:					
202 Accounts Payable	\$ 563,435	\$ 103,298	\$ -	\$ 4,707,737	\$ 5,374,470
216 Wages Payable	-	2,074	-	2,136	4,210
Total Current Liabilities	563,435	105,372	-	4,709,873	5,378,680
NET POSITION:					
253.90 Unrestricted Net Position	8,776,188	1,128,786	43,634	(2,047,663)	7,900,945
Total Net Position	8,776,188	1,128,786	43,634	(2,047,663)	7,900,945
TOTAL LIABILITIES AND NET POSITION	\$ 9,339,623	\$ 1,234,158	\$ 43,634	\$ 2,662,210	\$ 13,279,625

CITY OF RAPID CITY
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Workers Compensation Fund	Totals
Operating Revenue:					
380 Charges for Goods and Services	\$ 7,702,478	\$ 193,591	\$ -	\$ 1,337,496	\$ 9,233,565
Operating Expenses:					
410 Personal Services	4,436	63,092	-	30,879	98,407
420 Other Current Expense	7,991,660	242,909	34,382	1,905,281	10,174,232
Total Operating Expenses	7,996,096	306,001	34,382	1,936,160	10,272,639
Operating Income (Loss)	(293,618)	(112,410)	(34,382)	(598,664)	(1,039,074)
Nonoperating Revenue (Expense):					
361 Investment Earnings (Loss)	23,863	3,832	13,196	24,115	65,006
	23,863	3,832	13,196	24,115	65,006
Change in Net Position	(269,755)	(108,578)	(21,186)	(574,549)	(974,068)
Net Position - Beginning	9,045,943	1,237,364	64,820	(1,473,114)	8,875,013
NET POSITION - ENDING	\$ 8,776,188	\$ 1,128,786	\$ 43,634	\$ (2,047,663)	\$ 7,900,945

CITY OF RAPID CITY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2017

	Medical Insurance Fund	Liability Insurance Fund	Unemployment Insurance Fund	Workers Compensation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Interfund Services Provided	\$ 7,715,958	\$ 193,591	\$ -	\$ 1,337,496	\$ 9,247,045
Payments to Employees	(4,436)	(62,705)	-	(29,879)	(97,020)
Payments for Claims & Services	(7,879,174)	(242,796)	(34,382)	(744,350)	(8,900,702)
Net Cash Provided (Used) by Operating Activities	(167,652)	(111,910)	(34,382)	563,267	249,323
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sale/ (Purchase) of Investment Securities	(6,323)	-	134,591	88,928	217,196
Interest Received	23,674	3,832	13,061	23,302	63,869
Net Cash Provided by Investing Activities	17,351	3,832	147,652	112,230	281,065
Net Increase (Decrease) in Cash and Cash Equivalents	(150,301)	(108,078)	113,270	675,497	530,388
Balances - Beginning	9,076,802	1,342,236	(96,601)	1,131,139	11,453,576
Balances- Ending	\$ 8,926,501	\$ 1,234,158	\$ 16,669	\$ 1,806,636	\$ 11,983,964
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (293,618)	\$ (112,410)	\$ (34,382)	\$ (598,664)	\$ (1,039,074)
Adjustments to Reconcile Operating Income to Change in Assets and Liabilities:					
Accounts Receivable	13,480	-	-	-	13,480
Accounts Payables	112,486	113	-	1,160,931	1,273,530
Wages Payable	-	387	-	1,000	1,387
Net Cash Provided (Used) by Operating Activities	\$ (167,652)	\$ (111,910)	\$ (34,382)	\$ 563,267	\$ 249,323

CITY OF RAPID CITY
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 December 31, 2017

	Deposits Held For Others Fund	Payroll Withholding Fund	Section 125 Fund	Total Agency
ASSETS:				
Cash and Cash Equivalents	\$ 781,769	\$ 496,251	\$ 127,047	\$ 1,405,067
Investments	743,623	-	-	743,623
TOTAL ASSETS	\$ 1,525,392	\$ 496,251	\$ 127,047	\$ 2,148,690
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Amounts Held for Others	1,525,392	496,251	127,047	2,148,690
Total Liabilities	\$ 1,525,392	\$ 496,251	\$ 127,047	\$ 2,148,690



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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*

Steve Allender, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control 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 Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as 2017-001 and 2017-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as 2017-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as 2017-003.

City's Response to Findings

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

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 City'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 City'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.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 20, 2018



Ketel Thorstenson, LLP

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

Steve Allender, Mayor
and Common Council
City of Rapid City
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings as 2017-004. Our opinion on the major federal programs is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings as 2017-004 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



KETEL THORSTENSON, LLP
Certified Public Accountants

SINGLE AUDIT SECTION

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

	IDENTIFYING NUMBER	CFDA NUMBERS	AMOUNT
U.S. Department of Housing and Urban Development:			
<i>Direct Federal Funding:</i>			
Community Development Block Grant/Entitlement	B-12-MC-46-0002	14.218	16,128
Community Development Block Grant/Entitlement	B-13-MC-46-0002	14.218	36,651
Community Development Block Grant/Entitlement	B-15-MC-46-0002	14.218	136,329
Community Development Block Grant/Entitlement	B-16-MC-46-0002	14.218	223,115
Community Development Block Grant/Entitlement	B-17-MC-46-0002	14.218	29,273
Total Community Development Block Grant/Entitlement (Note 5)		14.218	441,496
U.S. Department of the Interior:			
<i>Direct Federal Funding:</i>			
Wildland Urban Interface Community Assistance	L13AC00029	15.228	61,746
<i>Pass-Through the SD Department of Tourism</i>			
Historic Preservation Fund Grant-in-Aid	SD-17-027	15.904	16,990
Total U.S. Department of Interior			78,736
U.S. Department of Justice:			
<i>Direct Federal Funding:</i>			
Bullet Proof Vest Partnership Program	2016	16.607	3,849
Edward Byrne Memorial Justice Assistance Grant Program	2016-DJ-BX-0970	16.738	27,920
Public Safety Partnership and Community Policing Grant	2016UMWX0088	16.710	111,702
Total U.S. Department of Justice			143,471
U.S. Department of Transportation:			
<i>Pass-Through the S.D. Department of Transportation:</i>			
Airport Improvement Program	3-46-0048-48-2016	20.106	2,233,406
Airport Improvement Program	3-46-0048-49-2017	20.106	1,048,458
Total Airport Improvement Program		20.106	3,281,864
Metropolitan Planning Grants	311291	20.505	285,837
Highway Safety Cluster			
National Priority Safety Programs	2018-00-63	20.616	25,101
National Priority Safety Programs	2017-00-27	20.616	59,232
State and Community Highway Safety	2017-00-44	20.600	20,904
Total Highway Safety Cluster			105,237
Federal Transit - Formula Grants	SD-90-X063-00	20.507	27,860
Federal Transit - Formula Grants	SD-2017-001-00	20.507	935,386
Federal Transit - Formula Grants	SD-2017-008-00	20.507	293,740
Total Federal Transit - Formula Grants		20.507	1,256,986
Total Federal Transit			1,256,986
Total U.S. Department of Transportation			4,929,924
U.S. General Services Administration:			
<i>Pass-through the SD Bureau of Administration - SD Federal Property Agency:</i>			
Donation of Federal Surplus Property (Note 3)	NA	39.003	60,736
U.S. Environmental Protection Agency:			
<i>Direct Federal Funding:</i>			
Performance Partnership Grant	2017	66.605	44,085
Total U.S. Environmental Protection Agency			44,085
U.S. Department of Agriculture:			
<i>Pass-Through the SD Department of Agriculture</i>			
Cooperative Forestry Assistance	13-DG-11020000-038-9042	10.664	70,522
Cooperative Forestry Assistance	14-DG-11020000-029-9047	10.664	69,690
Cooperative Forestry Assistance	16-DG-11020000-014-9066	10.664	13,845
Total Cooperative Forestry Assistance		10.664	154,057

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

Corporation for National and Community Service:

Direct Federal Funding:

Retired and Senior Volunteer Program	16SRNSD002	94.002	33,975
Retired and Senior Volunteer Program	16SRNSD001	94.002	13,126
Total Retired and Senior Volunteer Program		94.002	47,101

U.S. Department of Homeland Security:

Direct Federal Funding:

Staff for Adequate Fire and Emergency Response (SAFER)	EMW-2015-FH-00833	97.083	500,609
<i>Pass-Through the SD Department of Public Safety -- Office of Emergency Management</i>			
Interagency Hazardous Materials Public Sector Training and Planning (HEMP)	2017	20.703	8,740
<i>Pass-Through the SD Department of Public Safety -- Office of Homeland Security</i>			
Homeland Security Grant Program	2017	97.067	17,050
Total U.S. Department of Homeland Security			526,399
Total			6,426,005

Note 1: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Rapid City, South Dakota (the "City") under programs of the federal government for the year ended December 31, 2017. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows, where applicable, of the City of Rapid City, South Dakota.

Note 2: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality. (Original acquisition cost is provided by Federal Surplus Property. It is not what the City actually paid for the items.)

Note 4: In accordance with Uniform Guidance, major programs are determined using a risk-based approach. Programs in the above schedule denoted with an asterisk (*) are determined by the independent auditor to be major programs.

Note 5: The City had subrecipients of the CDBG program as follows:

Youth and Family Services	\$ 168,305
Habitat for Humanity	114,427
Hagg Development	36,035
Feeding South Dakota	31,760
Behavior Management Systems	28,775
Pennington County Health and Human Services	26,210
Canyon Lake Senior Center	25,209
Luthern Social Services	10,716
	<u>441,437</u>

CITY OF RAPID CITY

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of the City.
2. Material weaknesses and a significant deficiency disclosed during the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. A significant deficiency disclosed during the audit of the major federal award program is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the City expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for the City are reported in Part C of this schedule.
7. The programs tested as major programs (or cluster) for 2017 was the Federal Transit Cluster (CFDA #20.507), Airport Improvement Program (CFDA #20.106) and Staffing for Adequate Fire and Emergency Response (CFDA #97.083).
8. The threshold for distinguishing type A and B programs was \$750,000.
9. The City was not determined to be a low risk auditee.

CITY OF RAPID CITY

**SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

B. Findings – Financial Statement Audit

Material Weaknesses

Finding No. 2017-001: Internal Controls/Financial Statement Preparation

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: The City has a lack of adequate internal controls in the following areas:

- a. The Deputy Finance Officer has access to the general ledger, can prepare and post journal entries, can handle signed checks of the primary checking account of the City, has access to the manual check stock, and maintains the signature stamp for such accounts.
- b. The financial statements contained errors in the government-wide adjustments and fund statements requiring correction.
- c. We noted several instances where subsidiary listings did not agree to the general ledger. The City also lacks processes to review and analyze departmental financial balances and activity for accuracy and comparability. Journal entries were recorded to correct errors resulting from such lack of review and analysis. See finding 2017-002 regarding audit adjustments.

Criteria and Effect:

- a. Proper segregation of duties results in adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. Without proper segregation of duties, an intentional or unintentional error could go undetected resulting in a misappropriation of assets or inaccurate records.
- b. Accurate financial reporting is important to the City. The City's financial statements are provided to numerous granting agencies and current and future debt providers. Errors identified during the audit process were corrected in the accompanying financial statements.
- c. Continual monitoring for accuracy and accountability through the various departments (through the use of consumption reports, spreadsheets, etc.), as well as ensuring that subsidiaries agree to the general ledger, will allow the City to monitor consumption/usage throughout the year, as well as lessen the quantity of audit adjustments.

Repeat Finding from Prior Year: Yes with modifications, prior year finding 2016-001.

Recommendation:

- a. The Deputy Finance Officer should not have access to signed checks or the signature stamp.
- b. The financial statements and note disclosures should be prepared by the Grants Manager and reviewed by the Finance Officer for technical accuracy and completeness by June 1 each year.
- c. Departments should monitor their activity on a regular basis through comparison of consumption reports to the general ledger to determine validity of such.

Response/Corrective Action Plan: The City agrees with the above finding. See Corrective Action Plan.

CITY OF RAPID CITY

**SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

B. Findings – Financial Statement Audit (Continued)

Material Weaknesses (Continued)

Finding No. 2017-002: Audit Adjustments

Federal Program Affected: None

Compliance Requirement: All

Questioned Costs: None

Condition and Cause: During the audit process, we recorded material audit adjustments. Additionally, we posted several reclassification entries with no effect on net income. Other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements. The Finance Officer has a lack of adequate review over the year-end process.

Criteria and Effect: The City's financial statements are provided to numerous granting agencies and lenders. The City does not have adequate internal controls to ensure the identification and accurate recording of all year-end balances.

Recommendation: We recommend the City post all adjustments prior to audit fieldwork. Additionally, subsidiary listings should exist to support such balances and be reviewed as part of the review of the financial statements.

Repeat Finding from Prior Year: Yes, prior year finding 2016-002.

Response/Corrective Action Plan: The City agrees with the above finding. See Corrective Action Plan.

Significant Deficiencies

Finding No. 2017-003: Compliance with State Laws

Federal Program Affected: None

Compliance Requirement: Not applicable

Questioned Costs: None

Condition and Cause: The City is in violation of two state laws:

- a. The City is invested in participating and negotiable certificates of deposit.
- b. Before any claim against the City is allowed, it must be entered into the minutes of the meetings of the City. The first payroll paid in January 2018 (to include December 2017 expenses) was not included in the bill list in the January 2018 City Council minutes.

Criteria and Effect: The City did not follow state law, which could result in additional inquiries from state officials regarding such violation. Specifically:

- a. South Dakota Codified Law (SDCL) 4-5-6 indicates the types of investments that the City may invest public funds. Based on 4-5-6, the City is in violation of State law.
- b. SDCL 9-23-2 requires all claims to be included in the minutes of the City. Based on 9-23-2, the City is in violation of State law.

CITY OF RAPID CITY

**SCHEDULE OF FINDINGS (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

B. Findings – Financial Statement Audit (Concluded)

Significant Deficiencies (Continued)

Finding No. 2017-003: Compliance with State Laws (Continued)

Recommendation: We recommend the following:

- a. The City re-evaluate their investment policy and invest these funds in investments allowed by SDCL 4-5-6.
- b. The City ensures all payroll claims are included in the City Council Minutes, in accordance with SDCL 9-23-2.

Repeat Finding from Prior Year: Yes for the certificate of deposit portion of the finding. Prior year finding 2016-003.

Response/Corrective Action Plan: The City agrees with the above finding. See Corrective Action Plan.

C. Findings and Questioned Costs – Major Federal Program Audit

Significant Deficiency

Finding No. 2017-004: Written Uniform Guidance Policies

Federal Programs Affected: Airport Improvement Program (CFDA #20.106) and Staffing for Adequate Fire and Emergency Response (CFDA 97.083).

Compliance Requirement: Allowable Costs/Cost Principles and Cash Management

Questioned Costs: None

Condition and Cause: The City does not have written policies for allowable costs/cost principles and cash management.

Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies for allowable costs/cost principles and cash management. Not properly maintaining such policies leads to noncompliance and potential unallowable costs.

Recommendation: The City should create written policies for allowable costs/cost principles and cash management.

Repeat Finding from Prior Year: Not Applicable

Response/Corrective Action Plan: The City agrees with the above finding. See City's Corrective Action Plan.

MANAGEMENT RESPONSE



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

City Finance Office

300 Sixth Street
Rapid City, South Dakota 57701-5035
605-394-4143

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

The City of Rapid City respectfully submits the following summary schedule of prior audit findings from the December 31, 2016 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2016 Schedule of Findings.

2016-001 Finding: Internal Controls/Financial Statement Preparation

Status: The City implemented several changes in internal control processes and implemented a new software package; however the City still had a lack of adequate internal controls during the year.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: Strengthening internal controls is a continuous process. With the implementation of a new financial accounting package, comes the need to modify existing processes and responsibilities. The City recognizes this and is engaged in an ongoing campaign to review and modify existing functions and processes to ensure adequate internal control and proper segregation of duties.

Many of the control deficiencies relating to the Deputy Finance Officer have been addressed and resolved as part the software implementation process. The Finance Office recognizes that staffing limitation does in turn create a degree of internal control risk but is confident that between the built in controls associated with the new financial software and governing body oversight, these control deficiencies have been mitigated to an acceptable risk.

The City is one of a limited number of municipalities that has chosen to prepare its own financial statements in an effort to reduce overall audit fees, gain a better understanding of City's ongoing financial activity and ensure an adequate level of independence. As such, errors identified during the auditors review are expected to be more common than financials prepared by the auditors on behalf of the client. The Finance Office will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

The cash receipts and billing software conversions occurred in January 2017. As with other conversions of the new financial software package, difficulties were encountered. In an effort to overcome the difficulties encountered and strengthen controls, the City will require enterprise program directors to create and submit quarterly revenue analysis reports to ensure the accuracy, comparability and accountability of recorded revenue. The Finance Office will also revise existing, as well as create new internal reconciliation procedures to achieve the overall goal of submitting accurate subsidiary schedules in conjunction with the posting of yearend audit adjustments.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 (Continued)**

2016-002 Finding: Audit Adjustments

Status: The City made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: The Finance Office agrees that both material and immaterial audit adjustments were subsequently recorded in order to accurately report account balances/transactions. The City has now completed the implementation of the new financial software package. Having encountered and battled through many of the obstacles associated with new software implementation, the Finance Office is optimistic that the accuracy of yearend accounts balances will improve. The yearend reconciliation checklists and processes modifications recommended by the auditor as well as those noted internally will be implemented to ensure the accuracy and completeness of account balances/transactions.

Finding No. 2016-003: Negotiable Certificates of Deposit

Status: There was no change in investment policy or types of investments held by the City. As such, finding is repeated.

Initial Year Report: Originally issued in 2015.

Reasons for Recurrence and Corrective Action Plan: The City Attorney remains in discussions with both the SD Attorney General's office as well as the Department of Legislative Audit to get clarification on this issue. The City will reallocate certificates of deposit if deemed necessary upon clarification of this issue

Finding No. 2015-005: Audit Package Late Filing

Status: The 2017 Audit Package was not filed late and finding is not repeated in 2017.

Initial Year Report: Originally issued in 2015.



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

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CORRECTIVE ACTION PLAN DECEMBER 31, 2017

The City respectfully submits the following corrective action plan regarding findings from the December 31, 2016 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding No. 2017-001: Internal Controls/Financial Statement Preparation

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan:

Strengthening internal controls is a continuous process. With the implementation of a new financial accounting software package, comes the need to modify of existing processes and responsibilities. The City recognizes this and is engaged in an ongoing campaign to review and modify existing functions and processes to ensure adequate internal control and proper segregation of duties. The functions and processes will continue to be reviewed and improved upon as comfort and understanding levels of the new software also improve.

Many of the control deficiencies relating to the Deputy Finance Officer have been addressed and the risks associated with these deficiencies mitigated through the controls imbedded in the financial software and governing body oversight. Management will again perform an assessment of the internal control deficiencies noted and make changes if deemed necessary.

The City is one of a limited number of municipalities that has chosen to prepare its own financial statements in an effort to reduce overall audit fees, gain a better understanding of City's ongoing financial activity and ensure an adequate level of independence. As such, errors identified during the auditors review are expected to be more common than financials prepared by the auditors on behalf of the client. The Finance Office will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

The cash receipts and billing software conversions occurred in January 2017. As with other conversions of the new financial software package, difficulties were encountered. In an effort to ensure accuracy and accountability, the Finance Officer will ask enterprise program management to created and submit a quarterly revenue analysis reports that will support general ledger recorded revenue. In addition, the yearend reconciliation checklists and processes modifications recommended by the auditor as well as those noted internally will be implemented to ensure the accuracy and completeness of account balances/transactions.

Anticipated Completion Date: Assessing and mitigating identified internal control risks are, and should be, an ongoing process. Changes in responsibilities and processes to those deficiencies identified during the audit are currently in the development stage and will be implemented for the year ending December 31, 2018.



EQUAL HOUSING
OPPORTUNITY

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2017 (Continued)**

Finding No. 2017-002: Audit Adjustments

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: The yearend reconciliation checklists and processes modifications recommended by the auditor as well as those noted internally will be implemented to ensure the accuracy and completeness of account balances/transactions.

Anticipated Completion Date: The Finance Office expects that any audit adjustments proposed by auditors for the 2018 audit will be immaterial to the financial statements as a whole.

Finding No. 2017-003: Compliance with State Laws

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: The City Attorney remains in discussions with both the SD Attorney General's office as well as the Department of Legislative Audit to get clarification on this issue. The City will reallocate certificates of deposit if deemed necessary upon clarification of this issue.

The City believes that the payroll claims not included in the City Council Minutes to be an isolated incident. The Finance Office is considering adding a secondary review of the bill lists submitted to City Council.

Anticipated Completion Date: Largely dependent on resolution with SD Attorney General and Department of Legislative Audit.

A secondary review of bill lists will be implemented by December 31, 2018 if management feels the additional control is necessary.

Finding No. 2017-004: Written Uniform Guidance Policies

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: Written policies and procedures specific to Uniform Guidance requirements have been drafted and are pending review and approval of management and Council.

Anticipated Completion Date: City expects to have adopted written policies and procedures specific to Uniform Guidance by December 31, 2018.