

**MUNICIPALITY OF GREGORY  
GREGORY, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2017 TO DECEMBER 31, 2017  
AND  
FOR THE YEAR JANUARY 1, 2018 TO DECEMBER 31, 2018**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF GREGORY

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2018

MAYOR:

Scott Anshutz

GOVERNING BOARD:

Shana Flakus – President  
Seymour Studenberg – Vice-President  
Kristi Drey  
Aric Hamilton  
Guyla Husman  
Ashley Lozano

FINANCE OFFICER:

Allen Cerny

ATTORNEY:

George Johnson

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TABLE OF CONTENTS

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 <i>Government Auditing Standards</i> .....	1-2
Schedule of Prior Audit Findings and Questioned Costs.....	3
Schedule of Current Audit Findings.....	4
Independent Auditor's Report .....	5-7
Management's Discussion and Analysis (MD&A) .....	8-20
BASIC FINANCIAL STATEMENTS:	
As Of and For the Year Ended December 31, 2018:	
Government-Wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities.....	22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	24
Statement of Revenues, Expenditures, and Changes In Fund Balances.....	25-27
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities.....	28
Proprietary Funds:	
Statement of Net Position.....	29
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	30
Statement of Cash Flows.....	31
As Of and For the Year Ended December 31, 2017:	
Government-Wide Financial Statements:	
Statement of Net Position.....	32
Statement of Activities.....	33
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	34
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	35

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TABLE OF CONTENTS  
(Continued)

Fund Financial Statements (Cont.):	
Governmental Funds (Cont.):	
Statement of Revenues, Expenditures, and Changes In Fund Balances .....	36-38
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances to the Government-Wide Statement of Activities .....	39
Proprietary Funds:	
Statement of Net Position .....	40
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	41
Statement of Cash Flows .....	42
Notes to the Financial Statements .....	43-68
Required Supplementary Information Other than MD&A:	
For the Year Ended December 31, 2018:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund .....	69-71
For the Year Ended December 31, 2017:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund .....	72-74
Notes to the Required Supplementary Information – Budgetary Comparison Schedules .....	75
Schedule of the Municipality’s Proportionate Share of Net Pension Liability (Asset) .....	76
Schedule of the Municipal Contributions – South Dakota Retirement System .....	77
Supplementary Schedules:	
Combining Financial Statements:	
As of and For the Year Ended December 31, 2018:	
Combining Balance Sheet – Non-major Governmental Funds .....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	79
As of and For the Year Ended December 31, 2017:	
Combining Balance Sheet – Non-major Governmental Funds .....	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	82

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

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory, South Dakota (Municipality), as of December 31, 2018 and 2017, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 20, 2019, which had a disclaimer of opinion on the aggregate discretely presented component units because they were unaudited.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2018-001 to be a material weakness.

Compliance and Other Matters

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

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Municipality's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 20, 2019

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Finding Number 2016-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2018-001.

PRIOR OTHER AUDIT FINDINGS:

There were no prior other audit findings to report except for the lack of segregation of duties as stated in finding 2016-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2018-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is a continuing audit comment since 1998.

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

The Municipality of Gregory Mayor, Scott Anshutz, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Gregory, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and to provide compensating internal controls.

CLOSING CONFERENCE

The audit findings were discussed with the officials during the course of the audit with the Mayor and the Finance Officer on August 23, 2019.

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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory, South Dakota, (Municipality) as of December 31, 2018 and 2017, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

### Basis for Disclaimer of Opinion

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Gregory Housing and Redevelopment Commission and Gregory Ambulance Association, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. Those financial activities are included on the basic financial statements referred to above as a component units of the Municipality of Gregory and represent one hundred percent of the December 31, 2018 and 2017, balances and activities for the year then ended of the component units columns.

### Disclaimer of Opinion

Because of the effects of the item discussed in the Basis for Disclaimer of Opinion, we were not able to apply other auditing procedures to satisfy ourselves as to the component units, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the aggregate discretely presented component units.

### Unqualified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Municipal Contributions, on pages 8 through 20, 69 through 74, 76, and 77 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.

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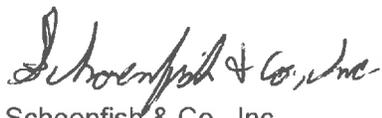
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### *Supplementary Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 20, 2019

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**MUNICIPALITY OF GREGORY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

This section of Municipality of Gregory (Municipality) financial report presents our discussion and analysis of the Municipality's financial performance during the two fiscal years ended on December 31, 2018. Please read it in conjunction with the Municipality's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

2018

- During the year, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$5,562 more than the \$1,805,520 governmental expenses.
- In the Municipality's business-type activities, revenue was \$491,154, while expenses were \$332,580.
- The total revenue from all governmental funds was \$1,811,082, a 4% increase over last year. The total governmental funds expenses were \$1,805,520 compared to \$1,683,929 for the prior year, a 7% increase.
- The General Fund showed an increase of fund balance of \$52,826.

2017

- During the year, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$1,739,956 and the expenses were \$1,683,929. Revenues were \$56,027 more than expenses.
- In the Municipality's business-type activities, revenue were \$515,223, while expenses were \$358,262.
- The total cost of the Municipality's programs increased \$13,477.
- The airport apron expansion project was completed in 2017.
- The General Fund reported an increase of \$14,008 in tax revenue, which showed continued steady economic growth in a year that held many challenges for growth in the state.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1 summarizes the major features of the Municipality's financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

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

## Government-wide Statements

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

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

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

The government-wide financial statements of the Municipality are reported in three categories:

- **Governmental Activities** -- This category includes the most of the Municipality's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water and sewer systems are included here.
- **Component Units** -- The Municipality includes two other entities in its report – the Housing and Redevelopment Commission and the Gregory Ambulance Association. Although legally separate, these "component units" are important because the Municipality is financially accountable for them.

## Fund Financial Statements

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

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

The Municipality has two kinds of funds:

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

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### Net Position

The Municipality's Net Position showed a \$212,988 increase 2.6% from 2016 to 2017 and an increase of Net Position of \$164,136 or 2.0% from 2017 to 2018. (See Table A-1).

Table A-1  
MUNICIPALITY OF GREGORY  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current & Other Assets	1,228,199	1,272,056	1,356,576	843,913	1,945,927	2,115,969
Net Pension Asset		1,775	472			1,775
Capital Assets, Net of Depr.	8,082,034	7,920,155	7,747,049	2,104,843	10,233,592	10,024,998
Total Assets	9,310,233	9,193,986	9,104,097	2,948,756	12,179,519	12,142,742
Deferred Outflows of Resources	164,135	187,038	156,497		164,135	187,038
Long-Term Debt Outstanding	2,618,602	2,495,341	2,367,448	1,377,590	4,074,245	3,872,931
Net Pension Liability	71,231			71,231		
Other Liabilities	14,795	14,534	12,720	17,295	31,528	31,829
Total Liabilities	2,704,628	2,509,875	2,380,168	1,394,885	4,177,004	3,904,760
Deferred Inflows of Resources	3,213	36,035	39,750		3,213	36,035
Net Investment in Capital Assets	5,478,239	5,440,569	5,397,754	738,583	6,180,640	6,179,152
Restricted	353,569	428,527	414,032	112,999	466,568	541,326
Unrestricted	934,719	966,018	1,028,890	702,289	1,516,229	1,668,307
Total Net Position	6,766,527	6,835,114	6,840,676	1,553,871	8,163,437	8,388,985
Beginning Net Position	6,484,069	6,766,527	6,835,114	1,396,910	7,819,329	8,163,437
Adjustment to Beginning Net Position		12,560				12,560
Restated Beginning Net Position	6,484,069	6,779,087	6,835,114	1,396,910	7,819,329	8,175,997
Change in Net Position	282,458	56,027	5,562	156,961	344,108	212,988
Percentage of Change in Net Position	4.4%	0.8%	0.1%	11.2%	4.4%	2.6%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the Municipality, consisting of compensated absences payable, sales tax revenue bonds payable, water revenue bonds payable, sewer revenue bonds payable, special assessment bond, and Rural Development loan have been reported in this manner on the Statement of Net Position. The difference between the Municipality's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position. The Municipality's net position 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 Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Municipality’s restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants.

The remaining balance of net position is unrestricted and may be used to meet the Municipality’s ongoing obligations to citizens and creditors.

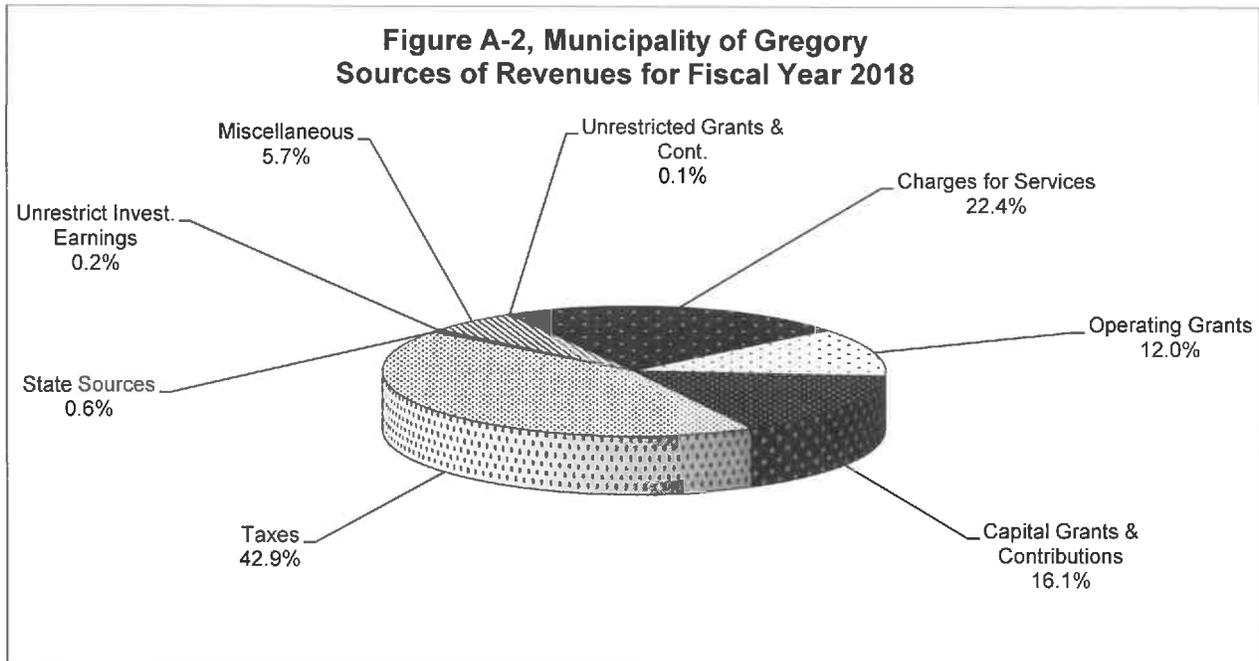
At the end of 2018 and 2017, the Municipality is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. In 2018, the City of Gregory was able in increase the balances in Net Position because revenues that were received were higher than estimated and expenses were a little less than budgeted for some street related work projects that did not get completed due to the higher than normal rain received and the unexpected departure of a few public works employees.

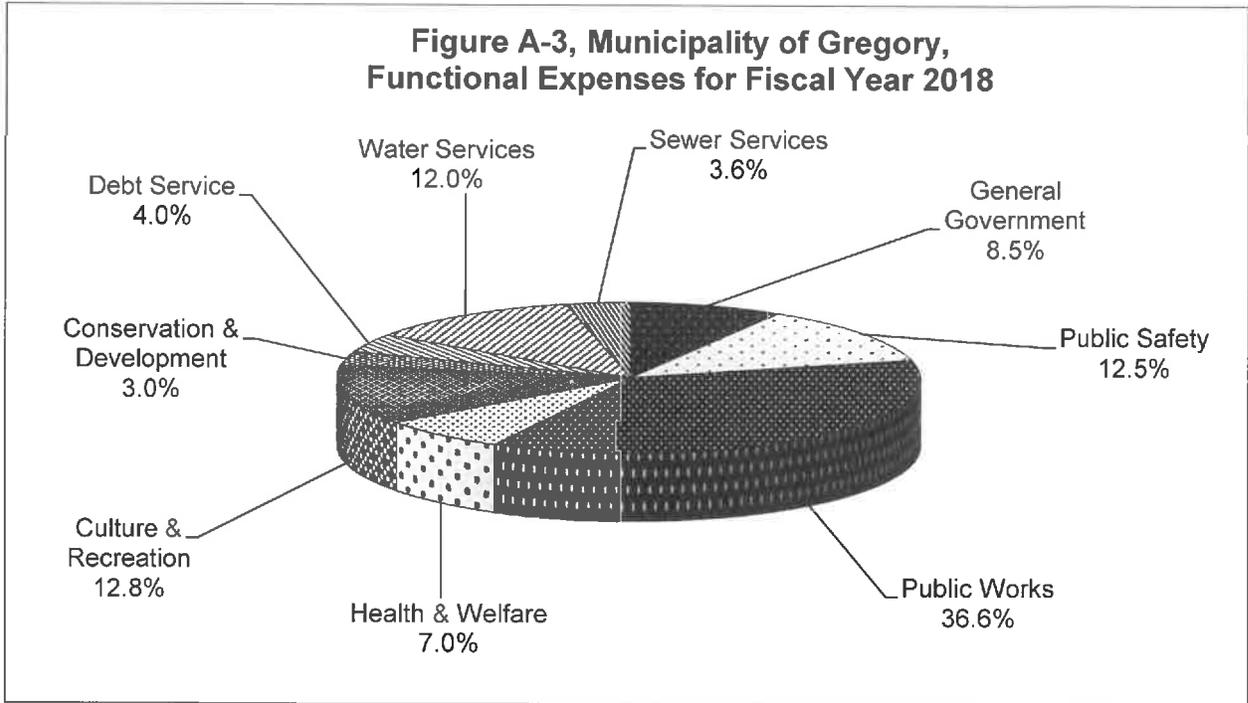
**Changes in Net Position**

2018

The Municipality’s revenues totaled \$22,302,236. (See Table A-2.) Well over half of the Municipality’s revenue comes from charges for services and taxes, with 22 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 43 cents of every dollar raised comes from some type of tax. (See Figure A-2). Another 16% comes from state and federal grants for capital purposes and most of the rest comes from state-shared revenues and interest earnings.

The total cost of all programs and services was virtually unchanged. The Municipality’s expenses cover a range of services, with over half related to public work services (road maintenance, water system services and sewer system services). (See Figure A-3)



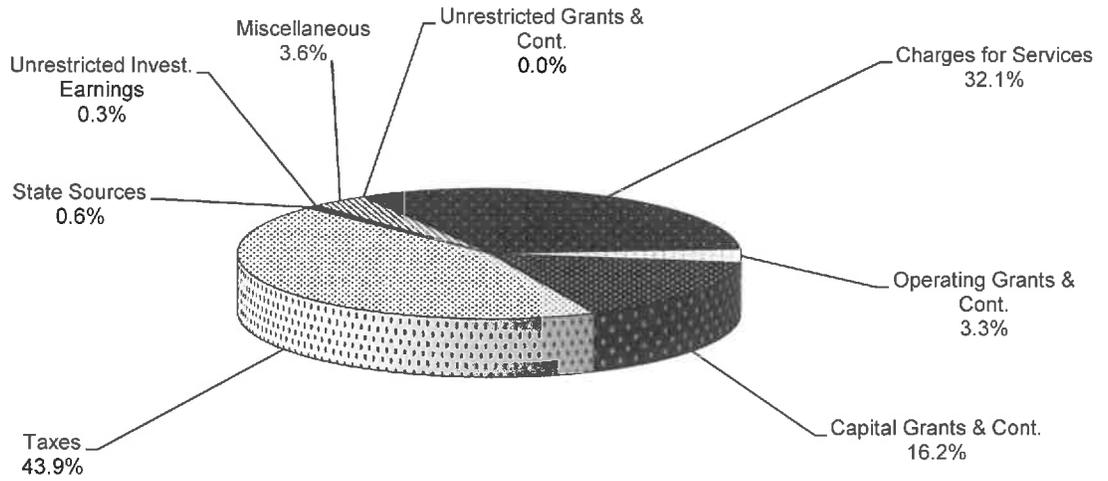


2017

The Municipality's revenues totaled \$2,255,179. (See Table A-2.) Well over half of the Municipality's revenue comes from charges for services and taxes, with 32 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 44 cents of every dollar raised comes from some type of tax. (See Figure A-4). Another 16% comes from state and federal grants for capital purposes and most of the rest comes from state-shared revenues and interest earnings.

The total cost of all programs and services was virtually unchanged. The Municipality's expenses cover a range of services, with over half related to public work services (road maintenance, water system services and sewer system services). (See Figure A-5)

**Figure A-4, Municipality of Gregory  
Sources of Revenues for Fiscal Year 2017**



**Figure A-5, Municipality of Gregory,  
Functional Expenses for Fiscal Year 2017**

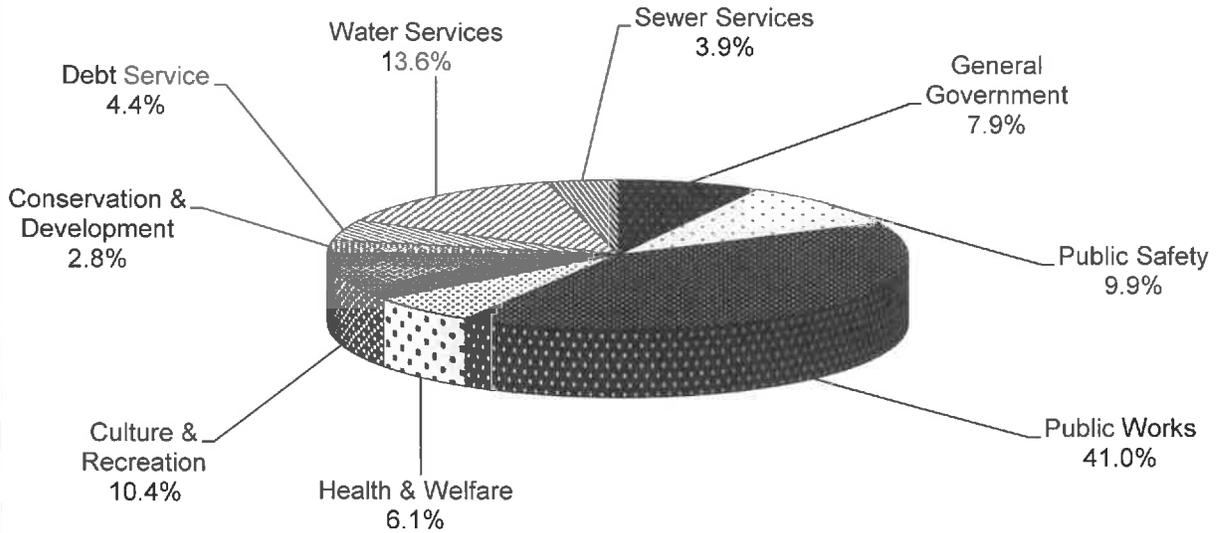


Table A-2  
MUNICIPALITY OF GREGORY  
Changes in Net Position

	Governmental Activities			Business-Type Activities			Total	
	2016	2017	2018	2016	2017	2018	2016	2017
<b>Program Revenues:</b>								
Charges for Services	320,855	238,092	236,487	422,413	485,580	279,121	743,268	515,608
Operating Grants & Cont.	2,274	73,683	75,087			201,202	2,274	73,683
Capital Grants & Cont.	552,829	365,746	371,657				552,829	365,746
<b>General Revenues:</b>								
Taxes	976,517	990,525	988,542				976,517	990,525
State Sources	13,144	13,687	12,830				13,144	13,687
Unrestricted Grants & Cont.	5,249	110	655				5,249	110
Unrestricted Invest. Earnings	1,829	4,320	3,200	923	2,393	1,724	2,752	6,713
Miscellaneous	76,789	53,793	122,624		27,250	9,107	76,789	81,043
<b>Total Revenue</b>	<b>1,949,486</b>	<b>1,739,956</b>	<b>1,811,082</b>	<b>423,336</b>	<b>515,223</b>	<b>491,154</b>	<b>2,372,822</b>	<b>2,255,179</b>
<b>Expenses:</b>								
General Government	169,358	160,674	182,468				169,358	160,674
Public Safety	232,867	202,516	267,339				232,867	202,516
Public Works	763,697	836,629	783,335				763,697	836,629
Health & Welfare	123,251	124,929	149,584				123,251	124,929
Culture & Recreation	236,512	211,933	273,005				236,512	211,933
Conservation & Development	51,583	58,185	63,968				51,583	58,185
Debt Service	89,760	89,063	85,821				89,760	89,063
Water Services				276,463	277,634	256,523	276,463	277,634
Sewer Services				85,223	80,628	76,057	85,223	80,628
<b>Total Expenses</b>	<b>1,667,028</b>	<b>1,683,929</b>	<b>1,805,520</b>	<b>361,686</b>	<b>358,262</b>	<b>332,580</b>	<b>2,028,714</b>	<b>2,042,191</b>
<b>Change in Net Position</b>	<b>282,458</b>	<b>56,027</b>	<b>5,562</b>	<b>61,650</b>	<b>156,961</b>	<b>158,574</b>	<b>344,108</b>	<b>212,988</b>
<b>Adjustment to Beginning Net Position</b>	<b>0</b>	<b>12,560</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,560</b>
<b>Net Position - Ending</b>	<b>6,766,527</b>	<b>6,835,114</b>	<b>6,840,676</b>	<b>1,396,910</b>	<b>1,553,871</b>	<b>1,712,445</b>	<b>8,163,437</b>	<b>8,388,985</b>
								<b>8,553,121</b>

## Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

### 2018

Total governmental revenues for the Municipality increased 4% while total expenses increased by 7% to \$1,805,520. Sales tax receipts remained steady with a small increase and the Municipality is limited in what can be levied with property taxes due to State restrictions.

### 2017

Total governmental revenues for the Municipality decreased 11%, while total expenses increased by 1%. The Municipality received \$115,674 less in operating and capital grants for 2017, due mainly to the timing of the airport federal grant reimbursements.

## Business-type Activities

### 2018

Revenues of the Municipality's business-type activities decreased by 5% to \$491,154 and expenses decreased by 7%. Factors contributing to these results included:

- There was an extremely wet summer that resulted in a decrease usage of water services, which resulted in a decrease in the income from water operations.
- The primary reason for the decrease in water and sewer expenses was that the Municipality did not take on any large improvement projects. There were no major equipment repairs to make that were budgeted for.

### 2017

Revenues of the Municipality's business-type activities increased by 22% to \$515,223 and expenses decreased 1%. Factors contributing to these results included:

- The water and sewer rates were raised to meet the State of South Dakota minimum charges in order to be eligible for low interest loans and possible grants that may be available.
- Expenses made to the Municipality's water system included repairs to the water and storage tanks and water system controls.

## FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintained four governmental funds – General Fund, Economic Development Fund, Special Street Assessment Fund, and the Liquor, Lodging and Dining Sales Tax Fund. The Municipality maintained two business-type funds – Water Fund and Sewer Fund. None of the Municipality's funds had any significant deficit or gain during 2018 and 2017, with the exception of the Sewer Fund. The Sewer Fund increased 30% in 2017 and 25% in 2018 due to a Sewer Improvement Project which was completed in 2018.

### General Fund Budgetary Highlights

Over the course of the year, the Municipal Council revised the Municipal budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

	2017		2018	
	Original	Final	Original	Final
Revenues	1,287,500	1,578,000	1,271,800	1,727,000
Expenditures	1,287,300	1,723,300	1,271,800	1,817,650
Variance	200	(145,300)	0	(90,650)

### 2018

The General Fund revenue budget increased by \$455,200, which most of the change was due to receiving a grant for airport project and insurance proceeds from the auditorium roof claim. The budget for expenses also increased by \$545,850 which was due to the airport project and the repairs made to the auditorium roof.

### 2017

The General Fund budget was supplemented by \$436,000. The airport accounted for \$260,000 of this amount due to an airport project that was completed in 2017 but not budgeted for. \$247,000 of the \$260,000 was reimbursed by an airport grant. The police department was increased \$57,000 and the Street department \$68,000, which made up the bulk of the budget supplements.

## CAPITAL ASSET ADMINISTRATION

By the end of 2018, the Municipality had invested \$10,074,239 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.)

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

	Governmental Activities			Business-type Activities		
	2016	2017	2018	2016	2017	2018
Land	802,809	794,647	778,323	74,000	74,000	74,000
Construction Work in Progress	3,505	0	343,304		20,000	
Buildings	1,951,144	1,883,376	1,815,608	184,807	180,789	176,772
Improvements Other Than Buildings	4,479,821	4,361,246	3,987,800	1,719,133	1,676,240	1,938,967
Machinery and Equipment	844,755	880,886	822,014	173,618	153,814	137,451
<b>Total Capital Assets (Net)</b>	<b>8,082,034</b>	<b>7,920,155</b>	<b>7,747,049</b>	<b>2,151,558</b>	<b>2,104,843</b>	<b>2,327,190</b>

### 2018

Major capital asset additions included:

- Sewer improvement work was done on two blocks of Felton street where the sewer main was replaced at a cost of \$262,000

### 2017

Major capital asset additions included:

- Purchase of new police vehicle with equipment \$28,000
- Purchase of used dump truck with snow plow/sander \$48,000
- Apron area at airport \$228,000

**LONG-TERM DEBT**

At the year-end, the Municipality had \$3,903,055 in long-term obligations. (See Table A-4.)

**Table A-4  
Municipality of Gregory - Outstanding Debt and Obligations**

	Governmental Activities			Business-type Activities		
	2016	2017	2018	2016	2017	2018
Sales Tax Revenue Bond 2012	270,000	180,000	90,000			
Sales Tax Revenue Bond 2013	685,000	685,000	680,000			
Rural Development - SA 2015	990,937	971,248	951,011			
Rural Development - SA 2015	561,682	549,722	537,336			
Sewer Revenue Bond				476,332	446,901	416,041
SRF Drinking Water #1				219,927	208,811	197,414
SRF Drinking Water #2				365,421	355,084	344,512
SRF Clean Water #1				188,812	178,252	167,372
SRF Clean Water #2				198,666	177,211	155,270
SRF Clean Water #3						242,789
Rural Development Loan	96,176	93,616	90,948			
Compensated Absences	14,807	15,755	18,154	6,485	11,331	12,208
<b>Total Outstanding Debt and Obligations</b>	<b>2,618,602</b>	<b>2,495,341</b>	<b>2,367,448</b>	<b>1,455,643</b>	<b>1,377,590</b>	<b>1,535,607</b>

The Municipality is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year.

The Municipality has outstanding \$1,488,347 in Special Assessment Rural Development loans at the end of 2018. These are special assessments against the property in Grandview Addition. The loans were made to help develop the Grandview area. Whenever a lot is sold by the Gregory Business Development Group, the funds are forwarded to the Municipality of Gregory to help with the Rural Development loans. The Municipality also owes \$770,000 in sales tax bonds. The loans were made to improve streets and to buy the Grandview Addition property. The Water and Sewer Revenue Bonds were used to improve water and sewer infrastructure. These loans are paid off by water and sewer charges for services.

In 2018, the Municipality borrowed \$242,789 in State Revolving Loan Funds for the Sewer improvements; this bond is scheduled to be paid off in 2039.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

Gregory’s budget for 2019 is balanced with using current revenues and expenses. No unexpended or available funds left over from prior years were used to balance the budget. There is little budgeted for capital improvements. Sales tax revenue was budgeted to remain the same as in 2018, but with the Municipality now being able to collect sales tax on internet sales, the sales tax collected may increase. Property tax increases are limited by the state to inflation and growth in property tax valuations increases. Gregory has budgeted a \$14,000 increase in property taxes for 2019. A 3% increase for employee salaries has also been budgeted.

There are no big capital improvement projects planned at this time but there are some funds available if an equipment need arises and is not budgeted for.

The Municipality of Gregory continues to work on paying off its debt obligations and is on schedule to have an extra \$100,000 per year available by the year 2025 by reducing the debt obligations that are currently outstanding.

Sales and property tax revenue will continue to make up the greatest portion of the Municipality's revenue with 73% of our total revenue. Sales tax adding 47% and property tax adding 26%. These two revenue sources have remained steady over the past several years.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Gregory City Finance Office, P.O. Box 436, 120 West 6<sup>th</sup> Street, Gregory, SD 57533 or call 605-835-8270.

**MUNICIPALITY OF GREGORY  
STATEMENT OF NET POSITION  
December 31, 2018**

	<b>Primary Government</b>			<b>Component Units (Unaudited)</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing &amp; Redev't Comm</b>	<b>Ambulance Association</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	847,078.57	625,077.01	1,472,155.58	106,560.78	24,966.09
Investments	114,257.59	240,444.83	354,702.42		121,635.06
Accounts Receivable, Net	173,732.44	14,136.96	187,869.40		140,231.27
Inventories	203,755.52	57,304.94	261,060.46		
Restricted Assets:					
Deposits	17,752.00		17,752.00		
Net Pension Asset	471.89		471.89		
Capital Assets:					
Land and Construction Work in Progress	1,121,626.60	74,000.00	1,195,626.60		
Other Capital Assets, Net of Depreciation	6,625,422.40	2,253,190.02	8,878,612.42		
<b>TOTAL ASSETS</b>	<b>9,104,097.01</b>	<b>3,264,153.76</b>	<b>12,368,250.77</b>	<b>106,560.78</b>	<b>286,832.42</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	156,497.49		156,497.49		
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>156,497.49</b>	<b>0.00</b>	<b>156,497.49</b>	<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES :</b>					
Accounts Payable	12,720.23	1,572.33	14,292.56		
Other Current Liabilities		14,530.00	14,530.00		
Noncurrent Liabilities:					
Due Within One Year	139,433.82	97,931.26	237,365.08		
Due in More than One Year	2,228,014.45	1,437,675.10	3,665,689.55		
<b>TOTAL LIABILITIES</b>	<b>2,380,168.50</b>	<b>1,551,708.69</b>	<b>3,931,877.19</b>	<b>0.00</b>	<b>0.00</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	39,750.30		39,750.30		
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>39,750.30</b>	<b>0.00</b>	<b>39,750.30</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	5,397,754.42	803,791.17	6,201,545.59		
Restricted for:					
Capital Projects Purposes	48,640.97		48,640.97		
Debt Service Purposes	174,700.00	112,998.69	287,698.69		
SDRS Pension Purposes	117,219.08		117,219.08		
City Promotion	55,719.63		55,719.63		
Cumulative Insurance Reserve	17,752.00		17,752.00		
Unrestricted (Deficit)	1,028,889.60	795,655.21	1,824,544.81	106,560.78	286,832.42
<b>TOTAL NET POSITION</b>	<b>6,840,675.70</b>	<b>1,712,445.07</b>	<b>8,553,120.77</b>	<b>106,560.78</b>	<b>286,832.42</b>

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

**MUNICIPALITY OF GREGORY  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018**

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units (Unaudited)
					Governmental Activities	Business-Type Activities	Housing & Redev't Comm.
Governmental Activities:							
General Government	182,468.04	21,665.86			(160,802.18)		(160,802.18)
Public Safety	267,338.75	1,588.10			(265,750.65)		(265,750.65)
Public Works	783,335.49	56,199.19	73,653.50	371,657.32	(281,825.48)		(281,825.48)
Health and Welfare	149,583.52	116,874.21	1,433.00		(31,276.31)		(31,276.31)
Culture and Recreation	273,004.52	15,527.81			(257,476.71)		(257,476.71)
Conservation and Development	63,968.25				(63,968.25)		(63,968.25)
Miscellaneous Expenditures	85,820.61	24,631.55			24,631.55		24,631.55
*Interest on Long-term Debt					(85,820.61)		(85,820.61)
<b>Total Governmental Activities</b>	<b>1,805,519.18</b>	<b>236,486.72</b>	<b>75,086.50</b>	<b>371,657.32</b>	<b>(1,122,288.64)</b>		<b>(1,122,288.64)</b>
Business-type Activities:							
Water	256,523.44	279,120.92				22,597.48	22,597.48
Sewer	76,056.53	201,201.83				125,145.30	125,145.30
<b>Total Business-type Activities</b>	<b>332,579.97</b>	<b>480,322.75</b>	<b>0.00</b>	<b>0.00</b>	<b>147,742.78</b>	<b>147,742.78</b>	<b>147,742.78</b>
<b>Total Primary Government</b>	<b>2,138,099.15</b>	<b>716,809.47</b>	<b>75,086.50</b>	<b>371,657.32</b>	<b>(1,122,288.64)</b>		<b>(974,545.86)</b>
<b>Component Units: (Unaudited)</b>							<b>1,436.18</b>
Housing and Redevelopment Commission	84,111.92	42,875.04	34,422.00				
Ambulance Association	229,969.02	227,405.20	4,000.00			(6,814.88)	1,436.18
<b>General Revenues:</b>							
Taxes:							
Property Taxes					325,495.42		325,495.42
Sales Taxes					663,046.67		663,046.67
State Shared Revenues					12,829.93		12,829.93
Grants and Contributions not Restricted to Specific Programs					655.00		655.00
Unrestricted Investment Earnings					3,199.88	1,724.47	4,924.35
Miscellaneous Revenue					122,623.12	9,107.32	131,730.44
<b>Total General Revenues</b>					<b>1,127,850.02</b>	<b>10,831.79</b>	<b>1,138,681.81</b>
Change in Net Position					5,561.38	158,574.57	164,135.95
Net Position - Beginning					6,835,114.32	1,553,870.50	8,388,984.82
<b>NET POSITION - ENDING</b>					<b>6,840,675.70</b>	<b>1,712,445.07</b>	<b>8,553,120.77</b>

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

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

**MUNICIPALITY OF GREGORY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	674,191.37	172,887.20	847,078.57
Investments	114,257.59		114,257.59
Taxes Receivable--Delinquent	14,803.10		14,803.10
Accounts Receivable, Net	5,070.21		5,070.21
Special Assessments Receivable--Current	1,875.79	31,588.50	33,464.29
Special Assessments Receivable--Delinquent	976.56	1,267.70	2,244.26
Special Assessments Receivable--Deferred	7,408.73		7,408.73
Interest Receivable - Special Assessments	2,154.94		2,154.94
Notes Receivable		31,890.47	31,890.47
Due from Other Governments	72,420.98	4,275.46	76,696.44
Inventory	203,755.52		203,755.52
Deposits	17,752.00		17,752.00
<b>TOTAL ASSETS</b>	<b>1,114,666.79</b>	<b>241,909.33</b>	<b>1,356,576.12</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	12,720.23		12,720.23
<b>Total Liabilities</b>	<b>12,720.23</b>	<b>0.00</b>	<b>12,720.23</b>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	14,803.10		14,803.10
Unavailable Revenue - Special Assessments	12,416.02	32,856.20	45,272.22
<b>Total Deferred Inflows of Resources</b>	<b>27,219.12</b>	<b>32,856.20</b>	<b>60,075.32</b>
Fund Balances:			
Nonspendable - Inventory	203,755.52		203,755.52
Nonspendable - Cumulative Insurance Reserve	17,752.00		17,752.00
Restricted for Debt Service	174,700.00		174,700.00
Restricted for City Promotion		55,719.63	55,719.63
Restricted for Street Repair		48,640.97	48,640.97
Committed for Economic Development		104,692.53	104,692.53
Assigned for Library	12,472.52		12,472.52
Unassigned	666,047.40		666,047.40
<b>Total Fund Balances</b>	<b>1,074,727.44</b>	<b>209,053.13</b>	<b>1,283,780.57</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>1,114,666.79</b>	<b>241,909.33</b>	<b>1,356,576.12</b>

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

**MUNICIPALITY OF GREGORY**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2018**

Total Fund Balances - Governmental Funds	<u>1,283,780.57</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>471.89</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>7,747,049.00</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>156,497.49</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,367,448.27)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>60,075.32</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(39,750.30)</u>
Net Position - Governmental Activities	<u><u>6,840,675.70</u></u>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
General Property Taxes	320,222.56		320,222.56
General Sales and Use Taxes	629,130.49	33,916.18	663,046.67
Amusement Taxes	156.00		156.00
Penalties and Interest on Delinquent Taxes	1,119.94		1,119.94
Licenses and Permits	14,220.00		14,220.00
Intergovernmental Revenue:			
Federal Grants	321,857.61		321,857.61
State Grants	19,313.98		19,313.98
State Shared Revenue:			
Bank Franchise Tax	4,913.40		4,913.40
Prorate License Fees	3,624.15		3,624.15
Liquor Tax Reversion	7,916.53		7,916.53
Motor Vehicle Licenses	16,013.44		16,013.44
Local Government Highway and Bridge Fund	48,014.07		48,014.07
County Shared Revenue:			
County Road Tax	6,001.84		6,001.84
Charges for Goods and Services:			
General Government	3,011.12		3,011.12
Public Safety	1,338.10		1,338.10
Highways and Streets	8,470.00		8,470.00
Airport	32,264.24		32,264.24
Culture and Recreation	10,355.50		10,355.50
Ambulance	116,874.21		116,874.21
Fines and Forfeits:			
Court Fines and Costs	250.00		250.00
Library	5,172.31		5,172.31
Miscellaneous Revenue:			
Investment Earnings	1,467.04	1,732.84	3,199.88
Rentals	33,624.69		33,624.69
Special Assessments	2,514.21	31,360.00	33,874.21
Contributions and Donations from Private Sources	655.00		655.00
Liquor Operating Agreement Income	10,906.55		10,906.55
Other	11,769.70		11,769.70
<b>Total Revenue</b>	<b>1,631,176.68</b>	<b>67,009.02</b>	<b>1,698,185.70</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Expenditures:</b>			
General Government:			
Legislative	51,432.44		51,432.44
Executive	2,525.00		2,525.00
Elections	750.17		750.17
Financial Administration	91,583.74		91,583.74
Other	18,080.03		18,080.03
Total General Government	164,371.38	0.00	164,371.38
Public Safety:			
Police	209,617.65		209,617.65
Fire	24,139.28		24,139.28
Total Public Safety	233,756.93	0.00	233,756.93
Public Works:			
Highways and Streets	247,500.98	30.00	247,530.98
Airport	50,187.35		50,187.35
Transit	7,000.00		7,000.00
Total Public Works	304,688.33	30.00	304,718.33
Health and Welfare:			
Health	19,910.88		19,910.88
Ambulance	129,672.64		129,672.64
Total Health and Welfare	149,583.52	0.00	149,583.52
Culture and Recreation:			
Recreation	58,570.42		58,570.42
Parks	26,666.34		26,666.34
Libraries	41,614.12		41,614.12
Auditorium	88,568.94		88,568.94
Total Culture and Recreation	215,419.82	0.00	215,419.82
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	12,131.08	35,512.75	47,643.83
Total Conservation and Development	12,131.08	35,512.75	47,643.83
Debt Service	216,112.00	0.00	216,112.00
Capital Outlay	393,141.18	0.00	393,141.18
Total Expenditures	1,689,204.24	35,542.75	1,724,746.99

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	(58,027.56)	31,466.27	(26,561.29)
<b>Other Financing Sources (Uses):</b>			
Sale of Municipal Property	22,523.28		22,523.28
Compensation for Loss or Damage to Capital Assets	88,330.14		88,330.14
Total Other Financing Sources (Uses)	110,853.42	0.00	110,853.42
Net Change in Fund Balances	52,825.86	31,466.27	84,292.13
Fund Balance - Beginning	1,021,901.58	177,586.86	1,199,488.44
<b>FUND BALANCE - ENDING</b>	<b>1,074,727.44</b>	<b>209,053.13</b>	<b>1,283,780.57</b>

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

**MUNICIPALITY OF GREGORY**  
**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, 2018**

Net Change in Fund Balances - Total Governmental Funds	<u>84,292.13</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>393,141.18</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(549,300.14)</u>
In the statement of activities, 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.	<u>(16,946.92)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>130,291.39</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>3,996.92</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(1,955.48)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(2,398.81)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>1,022.79</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(36,581.68)</u>
Change in Net Position of Governmental Activities	<u><u>5,561.38</u></u>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2018**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	227,565.45	397,511.56	625,077.01
Investments	187,167.45	53,277.38	240,444.83
Accounts Receivable, Net	6,728.75	7,408.21	14,136.96
Inventory of Supplies	51,458.94	5,846.00	57,304.94
<b>Total Current Assets</b>	<b>472,920.59</b>	<b>464,043.15</b>	<b>936,963.74</b>
Noncurrent Assets:			
Capital Assets:			
Land	24,000.00	50,000.00	74,000.00
Buildings	200,877.02		200,877.02
Improvements Other Than Buildings	1,095,100.06	1,238,207.49	2,333,307.55
Machinery and Equipment	163,963.71	96,328.66	260,292.37
Less: Accumulated Depreciation	(351,674.72)	(189,612.20)	(541,286.92)
<b>Total Noncurrent Assets</b>	<b>1,132,266.07</b>	<b>1,194,923.95</b>	<b>2,327,190.02</b>
<b>TOTAL ASSETS</b>	<b>1,605,186.66</b>	<b>1,658,967.10</b>	<b>3,264,153.76</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	599.27	973.06	1,572.33
Customer Deposits	14,530.00		14,530.00
Bonds Payable Current:			
Revenue	22,495.27	71,435.99	93,931.26
<b>Total Current Liabilities</b>	<b>37,624.54</b>	<b>72,409.05</b>	<b>110,033.59</b>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	519,431.57	910,036.02	1,429,467.59
Accrued Leave Payable	12,127.46	80.05	12,207.51
<b>Total Noncurrent Liabilities</b>	<b>531,559.03</b>	<b>910,116.07</b>	<b>1,441,675.10</b>
<b>TOTAL LIABILITIES</b>	<b>569,183.57</b>	<b>982,525.12</b>	<b>1,551,708.69</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	590,339.23	213,451.94	803,791.17
Restricted for:			
Revenue Bond Debt Service	52,998.69	60,000.00	112,998.69
Unrestricted	392,665.17	402,990.04	795,655.21
<b>TOTAL NET POSITION</b>	<b>1,036,003.09</b>	<b>676,441.98</b>	<b>1,712,445.07</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2018

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>Operating Revenue:</b>			
Charges for Goods and Services	272,510.92	152,445.83	424,956.75
Revenue Dedicated to Servicing Debt		31,000.00	31,000.00
Total Operating Revenue	272,510.92	183,445.83	455,956.75
<b>Operating Expenses:</b>			
Personal Services	104,874.21	11,757.42	116,631.63
Other Current Expense	100,331.97	9,739.11	110,071.08
Depreciation	38,302.68	24,970.80	63,273.48
Total Operating Expenses	243,508.86	46,467.33	289,976.19
Operating Income (Loss)	29,002.06	136,978.50	165,980.56
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	831.85	892.62	1,724.47
Rental Revenue	6,610.00	17,756.00	24,366.00
Interest Expense	(13,014.58)	(29,589.20)	(42,603.78)
Other	16.82	9,090.50	9,107.32
Total Nonoperating Revenue (Expense)	(5,555.91)	(1,850.08)	(7,405.99)
Change in Net Position	23,446.15	135,128.42	158,574.57
Net Position - Beginning	1,012,556.94	541,313.56	1,553,870.50
<b>NET POSITION - ENDING</b>	<b>1,036,003.09</b>	<b>676,441.98</b>	<b>1,712,445.07</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2018

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	273,294.26	182,907.20	456,201.46
Cash Payments to Employees for Services	(103,990.42)	(11,764.72)	(115,755.14)
Cash Payments to Suppliers of Goods and Services	(100,554.86)	(11,679.56)	(112,234.42)
Net Cash Provided (Used) by Operating Activities	68,748.98	159,462.92	228,211.90
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets		(285,621.00)	(285,621.00)
Proceeds Received from Capital Debt		242,789.00	242,789.00
Principal Paid on Capital Debt	(21,967.82)	(63,681.40)	(85,649.22)
Interest Paid on Capital Debt	(13,014.58)	(29,589.20)	(42,603.78)
Other Receipts	6,626.82	26,846.50	33,473.32
Net Cash Provided (Used) by Capital and Related Financing Activities	(28,355.58)	(109,256.10)	(137,611.68)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	831.85	892.62	1,724.47
Net Cash Provided (Used) by Investing Activities	831.85	892.62	1,724.47
Net Increase (Decrease) in Cash and Cash Equivalents	41,225.25	51,099.44	92,324.69
Balances - Beginning	373,507.65	399,689.50	773,197.15
Balances - Ending	414,732.90	450,788.94	865,521.84
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	29,002.06	136,978.50	165,980.56
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	38,302.68	24,970.80	63,273.48
(Increase) decrease in Receivables	(266.66)	(538.63)	(805.29)
(Increase) decrease in Inventories	885.62	(806.00)	79.62
(Decrease) increase in Accounts and Other Payables	(1,108.51)	(1,134.45)	(2,242.96)
(Decrease) increase in Accrued Leave Payable	883.79	(7.30)	876.49
(Decrease) increase in Customer Deposits	1,050.00		1,050.00
Net Cash Provided (Used) by Operating Activities	68,748.98	159,462.92	228,211.90

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

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

	Primary Government			Component Units (Unaudited)	
	Governmental Activities	Business-Type Activities	Total	Housing & Redev't Comm	Ambulance Association
<b>ASSETS:</b>					
Cash and Cash Equivalents	743,091.48	532,986.38	1,276,077.86	113,008.15	55,111.44
Investments	111,955.29	240,210.77	352,166.06		135,373.18
Accounts Receivable, Net	206,375.64	13,331.67	219,707.31		93,629.27
Inventories	184,013.49	57,384.56	241,398.05		
Restricted Assets:					
Deposits	26,620.08		26,620.08		
Net Pension Asset	1,775.67		1,775.67		
Capital Assets:					
Land and Construction Work in Progress	794,647.27	94,000.00	888,647.27		
Other Capital Assets, Net of Depreciation	7,125,507.61	2,010,842.50	9,136,350.11		
<b>TOTAL ASSETS</b>	<b>9,193,986.53</b>	<b>2,948,755.88</b>	<b>12,142,742.41</b>	<b>113,008.15</b>	<b>284,113.89</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Related Deferred Outflows	187,037.74		187,037.74		
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>187,037.74</b>	<b>0.00</b>	<b>187,037.74</b>	<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES :</b>					
Accounts Payable	14,533.66	3,815.29	18,348.95		
Other Current Liabilities		13,480.00	13,480.00		
Noncurrent Liabilities:					
Due Within One Year	135,291.39	110,832.40	246,123.79		
Due in More than One Year	2,360,049.46	1,266,757.69	3,626,807.15		
<b>TOTAL LIABILITIES</b>	<b>2,509,874.51</b>	<b>1,394,885.38</b>	<b>3,904,759.89</b>	<b>0.00</b>	<b>0.00</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	36,035.44		36,035.44		
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>36,035.44</b>	<b>0.00</b>	<b>36,035.44</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	5,440,568.91	738,583.43	6,179,152.34		
Restricted for:					
Capital Projects Purposes	17,113.13		17,113.13		
Debt Service Purposes	174,700.00	112,998.69	287,698.69		
SDRS Pension Purposes	152,777.97		152,777.97		
City Promotion	57,316.20		57,316.20		
Cumulative Insurance Reserve	26,620.08		26,620.08		
Unrestricted (Deficit)	966,018.03	702,288.38	1,668,306.41	113,008.15	284,113.89
<b>TOTAL NET POSITION</b>	<b>6,835,114.32</b>	<b>1,553,870.50</b>	<b>8,388,984.82</b>	<b>113,008.15</b>	<b>284,113.89</b>

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

**MUNICIPALITY OF GREGORY  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units (Unaudited)	
					Governmental Activities	Business-Type Activities	Total	Housing & Redev't Comm.
<b>Primary Government:</b>								
Governmental Activities:								
General Government	160,674.02	15,475.44			(145,198.58)			(145,198.58)
Public Safety	202,515.58	3,580.32			(198,935.26)			(198,935.26)
Public Works	836,628.64	70,385.91	72,139.97	365,746.12	(328,356.64)			(328,356.64)
Health and Welfare	124,929.33	112,370.42	1,543.00		(11,015.91)			(11,015.91)
Culture and Recreation	211,933.12	11,285.00			(200,648.12)			(200,648.12)
Conservation and Development	58,184.68				(58,184.68)			(58,184.68)
Miscellaneous Expenditures		24,994.99			24,994.99			24,994.99
*Interest on Long-term Debt	89,063.12				(89,063.12)			(89,063.12)
Total Governmental Activities	<u>1,683,928.49</u>	<u>238,092.08</u>	<u>73,682.97</u>	<u>365,746.12</u>	<u>(1,006,407.32)</u>			<u>(1,006,407.32)</u>
Business-type Activities:								
Water	277,633.88	297,023.55				19,389.67		19,389.67
Sewer	80,627.52	188,556.65				107,929.13		107,929.13
Total Business-type Activities	<u>358,261.40</u>	<u>485,580.20</u>	<u>0.00</u>	<u>0.00</u>		<u>127,318.80</u>		<u>127,318.80</u>
Total Primary Government	<u>2,042,189.89</u>	<u>723,672.28</u>	<u>73,682.97</u>	<u>365,746.12</u>	<u>(1,006,407.32)</u>	<u>127,318.80</u>		<u>(879,088.52)</u>
<b>Component Units: (Unaudited)</b>								
Housing and Redevelopment Commission	119,661.77	46,613.85	35,254.00					
Ambulance Association	182,507.76	161,005.70						(16,197.06)
								<u>(37,793.92)</u>
								<u>(16,197.06)</u>
<b>General Revenues:</b>								
Taxes:								
Property Taxes					317,684.35			
Sales Taxes					672,840.82			
State Shared Revenues					13,687.49			
Grants and Contributions not Restricted to Specific Programs					110.00			
Unrestricted Investment Earnings					4,319.95	2,393.25		6,713.20
Miscellaneous Revenue					53,792.35	27,248.71		81,041.06
Total General Revenues					<u>1,062,434.96</u>	<u>29,641.96</u>		<u>1,092,076.92</u>
Change in Net Position					<u>56,027.64</u>	<u>156,960.76</u>		<u>(37,480.74)</u>
Net Position - Beginning					6,766,526.68	1,396,909.74		8,163,436.42
Adjustments:								
To Account for Revenue Not Recorded Prior- See Note 11					12,560.00			12,560.00
Restated Net Position - Beginning					<u>6,779,086.68</u>	<u>1,396,909.74</u>		<u>8,175,996.42</u>
NET POSITION - ENDING					6,835,114.32	1,553,870.50		8,388,984.82
								<u>113,008.15</u>
								<u>300,105.18</u>
								<u>150,488.89</u>
								<u>300,105.18</u>
								<u>284,113.89</u>

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

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

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	610,016.61	133,074.87	743,091.48
Investments	111,955.29		111,955.29
Taxes Receivable--Delinquent	10,806.18		10,806.18
Accounts Receivable, Net	6,210.73		6,210.73
Special Assessments Receivable--Current	1,736.84	31,546.00	33,282.84
Special Assessments Receivable--Delinquent	536.05	1,533.20	2,069.25
Special Assessments Receivable--Deferred	9,284.52		9,284.52
Interest Receivable - Special Assessments	2,591.09		2,591.09
Notes Receivable		39,124.38	39,124.38
Due from Other Governments	97,619.04	5,387.61	103,006.65
Inventory	184,013.49		184,013.49
Deposits	26,620.08		26,620.08
<b>TOTAL ASSETS</b>	<u>1,061,389.92</u>	<u>210,666.06</u>	<u>1,272,055.98</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	14,533.66		14,533.66
<b>Total Liabilities</b>	<u>14,533.66</u>	<u>0.00</u>	<u>14,533.66</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	10,806.18		10,806.18
Unavailable Revenue - Special Assessments	14,148.50	33,079.20	47,227.70
<b>Total Deferred Inflows of Resources</b>	<u>24,954.68</u>	<u>33,079.20</u>	<u>58,033.88</u>
Fund Balances:			
Nonspendable - Inventory	184,013.49		184,013.49
Nonspendable - Cumulative Insurance Reserve	26,620.08		26,620.08
Restricted for Debt Service	174,700.00		174,700.00
Restricted for City Promotion		57,316.20	57,316.20
Restricted for Street Repair		17,113.13	17,113.13
Committed for Economic Development		103,157.53	103,157.53
Assigned for Library	7,300.20		7,300.20
Unassigned	629,267.81		629,267.81
<b>Total Fund Balances</b>	<u>1,021,901.58</u>	<u>177,586.86</u>	<u>1,199,488.44</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>1,061,389.92</u>	<u>210,666.06</u>	<u>1,272,055.98</u>

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

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

Total Fund Balances - Governmental Funds	<u>1,199,488.44</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,775.67</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>7,920,154.88</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>187,037.74</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,495,340.85)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>58,033.88</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(36,035.44)</u>
Net Position - Governmental Activities	<u><u>6,835,114.32</u></u>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
General Property Taxes	313,870.72		313,870.72
General Sales and Use Taxes	635,577.58	37,263.24	672,840.82
Amusement Taxes	144.00		144.00
Tax Deed Revenue	1,550.88		1,550.88
Penalties and Interest on Delinquent Taxes	892.31		892.31
Licenses and Permits	13,725.00		13,725.00
Intergovernmental Revenue:			
Federal Grants	320,658.28		320,658.28
State Grants	18,606.96		18,606.96
State Shared Revenue:			
Bank Franchise Tax	5,273.58		5,273.58
Prorate License Fees	3,475.36		3,475.36
Liquor Tax Reversion	8,413.91		8,413.91
Motor Vehicle Licenses	15,931.21		15,931.21
Local Government Highway and Bridge Fund	45,201.56		45,201.56
County Shared Revenue:			
County Road Tax	6,001.84		6,001.84
Other Intergovernmental Revenues	1,530.00		1,530.00
Charges for Goods and Services:			
General Government	2,757.50		2,757.50
Public Safety	3,555.32		3,555.32
Highways and Streets	10,770.38		10,770.38
Airport	36,053.53		36,053.53
Health	190.00		190.00
Culture and Recreation	11,285.00		11,285.00
Ambulance	112,180.42		112,180.42
Fines and Forfeits:			
Court Fines and Costs	25.00		25.00
Miscellaneous Revenue:			
Investment Earnings	2,392.72	1,927.23	4,319.95
Rentals	36,054.94		36,054.94
Special Assessments	2,305.57	24,905.00	27,210.57
Contributions and Donations from Private Sources	110.00		110.00
Liquor Operating Agreement Income	11,494.99		11,494.99
Other	9,973.65		9,973.65
<b>Total Revenue</b>	<b>1,630,002.21</b>	<b>64,095.47</b>	<b>1,694,097.68</b>

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

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

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Expenditures:</b>			
General Government:			
Legislative	44,012.40		44,012.40
Elections	2,125.00		2,125.00
Financial Administration	93,547.52		93,547.52
Other	19,574.67		19,574.67
Total General Government	159,259.59	0.00	159,259.59
Public Safety:			
Police	195,065.68		195,065.68
Fire	24,313.62		24,313.62
Total Public Safety	219,379.30	0.00	219,379.30
Public Works:			
Highways and Streets	299,602.88	15,895.90	315,498.78
Airport	42,841.45		42,841.45
Transit	5,000.00		5,000.00
Total Public Works	347,444.33	15,895.90	363,340.23
Health and Welfare:			
Health	1,371.52		1,371.52
Humane Society	349.80		349.80
Ambulance	118,208.01		118,208.01
Total Health and Welfare	119,929.33	0.00	119,929.33
Culture and Recreation:			
Recreation	47,979.07		47,979.07
Parks	42,183.17		42,183.17
Libraries	58,533.71		58,533.71
Auditorium	12,004.82		12,004.82
Total Culture and Recreation	160,700.77	0.00	160,700.77
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	15,072.47	34,950.00	50,022.47
Total Conservation and Development	15,072.47	34,950.00	50,022.47
Debt Service	213,272.00	0.00	213,272.00
Capital Outlay	422,493.83	0.00	422,493.83
Total Expenditures	1,657,551.62	50,845.90	1,708,397.52

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	(27,549.41)	13,249.57	(14,299.84)
<b>Other Financing Sources (Uses):</b>			
Sale of Municipal Property	43,797.00		43,797.00
Compensation for Loss or Damage to Capital Assets	21.70		21.70
Total Other Financing Sources (Uses)	43,818.70	0.00	43,818.70
Net Change in Fund Balances	16,269.29	13,249.57	29,518.86
Fund Balance - Beginning	993,072.29	164,337.29	1,157,409.58
Adjustments:			
To Account for Revenue Not Recorded Prior- See Note 11	12,560.00		12,560.00
Restated Fund Balance - Beginning	1,005,632.29	164,337.29	1,169,969.58
<b>FUND BALANCE - ENDING</b>	<b>1,021,901.58</b>	<b>177,586.86</b>	<b>1,199,488.44</b>

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

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

Net Change in Fund Balances - Total Governmental Funds	<u>29,518.86</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>422,493.83</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(573,916.05)</u>
In the statement of activities, 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.	<u>(10,456.97)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>124,208.88</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,226.44</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>813.31</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(947.40)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>714.73</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>62,372.01</u>
Change in Net Position of Governmental Activities	<u><u>56,027.64</u></u>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	186,455.55	346,530.83	532,986.38
Investments	187,052.10	53,158.67	240,210.77
Accounts Receivable, Net	6,462.09	6,869.58	13,331.67
Inventory of Supplies	52,344.56	5,040.00	57,384.56
Total Current Assets	<u>432,314.30</u>	<u>411,599.08</u>	<u>843,913.38</u>
Noncurrent Assets:			
Capital Assets:			
Land	24,000.00	50,000.00	74,000.00
Buildings	200,877.02		200,877.02
Improvements Other Than Buildings	1,095,100.06	932,586.49	2,027,686.55
Machinery and Equipment	163,963.71	96,328.66	260,292.37
Construction Work in Progress		20,000.00	20,000.00
Less: Accumulated Depreciation	(313,372.04)	(164,641.40)	(478,013.44)
Total Noncurrent Assets	<u>1,170,568.75</u>	<u>934,273.75</u>	<u>2,104,842.50</u>
<b>TOTAL ASSETS</b>	<u>1,602,883.05</u>	<u>1,345,872.83</u>	<u>2,948,755.88</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	1,707.78	2,107.51	3,815.29
Customer Deposits	13,480.00		13,480.00
Bonds Payable Current:			
Revenue	34,982.40	71,850.00	106,832.40
Total Current Liabilities	<u>50,170.18</u>	<u>73,957.51</u>	<u>124,127.69</u>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	528,912.26	730,514.41	1,259,426.67
Accrued Leave Payable	11,243.67	87.35	11,331.02
Total Noncurrent Liabilities	<u>540,155.93</u>	<u>730,601.76</u>	<u>1,270,757.69</u>
<b>TOTAL LIABILITIES</b>	<u>590,326.11</u>	<u>804,559.27</u>	<u>1,394,885.38</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	606,674.09	131,909.34	738,583.43
Restricted for:			
Revenue Bond Debt Service	52,998.69	60,000.00	112,998.69
Unrestricted	352,884.16	349,404.22	702,288.38
<b>TOTAL NET POSITION</b>	<u>1,012,556.94</u>	<u>541,313.56</u>	<u>1,553,870.50</u>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	297,023.55	157,556.65	454,580.20
Revenue Dedicated to Servicing Debt		31,000.00	31,000.00
<b>Total Operating Revenue</b>	<b>297,023.55</b>	<b>188,556.65</b>	<b>485,580.20</b>
<b>Operating Expenses:</b>			
Personal Services	105,245.93	12,290.09	117,536.02
Other Current Expense	118,062.85	10,592.34	128,655.19
Depreciation	40,795.44	25,919.88	66,715.32
<b>Total Operating Expenses</b>	<b>264,104.22</b>	<b>48,802.31</b>	<b>312,906.53</b>
<b>Operating Income (Loss)</b>	<b>32,919.33</b>	<b>139,754.34</b>	<b>172,673.67</b>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	1,175.99	1,217.26	2,393.25
Rental Revenue	9,652.20	16,330.00	25,982.20
Interest Expense	(13,529.66)	(31,825.21)	(45,354.87)
Other	1,136.52	129.99	1,266.51
<b>Total Nonoperating Revenue (Expense)</b>	<b>(1,564.95)</b>	<b>(14,147.96)</b>	<b>(15,712.91)</b>
<b>Change in Net Position</b>	<b>31,354.38</b>	<b>125,606.38</b>	<b>156,960.76</b>
<b>Net Position - Beginning</b>	<b>981,202.56</b>	<b>415,707.18</b>	<b>1,396,909.74</b>
<b>NET POSITION - ENDING</b>	<b>1,012,556.94</b>	<b>541,313.56</b>	<b>1,553,870.50</b>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	297,177.04	186,205.31	483,382.35
Cash Payments to Employees for Services	(100,439.88)	(12,251.44)	(112,691.32)
Cash Payments to Suppliers of Goods and Services	(126,862.15)	(10,203.02)	(137,065.17)
Net Cash Provided (Used) by Operating Activities	<u>69,875.01</u>	<u>163,750.85</u>	<u>233,625.86</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of Capital Assets		(20,000.00)	(20,000.00)
Principal Paid on Capital Debt	(21,452.74)	(61,445.39)	(82,898.13)
Interest Paid on Capital Debt	(13,529.66)	(31,825.21)	(45,354.87)
Other Receipts	10,788.72	16,459.99	27,248.71
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(24,193.68)</u>	<u>(96,810.61)</u>	<u>(121,004.29)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest	1,175.99	1,217.26	2,393.25
Net Cash Provided (Used) by Investing Activities	<u>1,175.99</u>	<u>1,217.26</u>	<u>2,393.25</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>46,857.32</u>	<u>68,157.50</u>	<u>115,014.82</u>
Balances - Beginning	326,650.33	331,532.00	658,182.33
Balances - Ending	<u>373,507.65</u>	<u>399,689.50</u>	<u>773,197.15</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	32,919.33	139,754.34	172,673.67
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	40,795.44	25,919.88	66,715.32
(Increase) decrease in Receivables	(281.17)	(2,351.34)	(2,632.51)
(Increase) decrease in Inventories	(7,497.65)	(1,040.00)	(8,537.65)
(Decrease) increase in Accounts and Other Payables	(1,301.65)	1,429.32	127.67
(Decrease) increase in Accrued Leave Payable	4,806.05	38.65	4,844.70
(Decrease) increase in Customer Deposits	434.66		434.66
Net Cash Provided (Used) by Operating Activities	<u>69,875.01</u>	<u>163,750.85</u>	<u>233,625.86</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Gregory, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Gregory Housing and Redevelopment Commission, Gregory, SD 57533.

The Gregory Ambulance Association provides emergency medical services to the community. The Municipality is responsible for appointing a board to oversee the operations. The Ambulance Association is discretely presented in the Municipality's government-wide financial statements. Financial statements can be obtained from the Finance Office, Box 436, Gregory, SD 57533.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

parties for goods or services. Discretely presented component units are legally separate organizations that meet 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 Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Economic Development Fund – to account for funds loaned out to a new business to be repaid over a period of years. This is not a major fund.

Special Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is not a major fund.

Liquor, Lodging and Dining Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is not a major fund.

Proprietary Funds:

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

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Gregory, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2018 are liquor agreements and taxes from the state and county governments.

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

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

All proprietary funds 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. Capital Assets:

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

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

Government-Wide Statements

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The total December 31, 2018 balance of governmental activities capital assets includes approximately 15 percent for which the costs were determined by estimates of the original costs. The total December 31, 2018 balance of business-type capital assets are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 7,500.00	Straight-line	10-50 yrs.
Buildings	\$ 7,500.00	Straight-line	33-99 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-30 yrs.
Infrastructure	\$ 7,500.00	Straight-line	10-50 yrs.
Utility property and improvements	\$ 7,500.00	Straight-line	10-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements**

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

**e. Long-Term Liabilities:**

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, special assessment bonds, SRF loans, Rural Development loans, and compensated absences.

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

f. Program Revenues:

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

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

g. Proprietary Funds Revenue and Expense Classifications:

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

h. Cash and Cash Equivalents:

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

Investments classified in the financial statements consist entirely 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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

i. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The Nonspendable Fund Balance is comprised of the following:

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

The Municipal Governing Board committed the following fund balance types by taking the following action:

<u>Fund Balance Type</u>	<u>2017 Amount</u>	<u>2018 Amount</u>	<u>Action</u>
Economic Development	\$ 103,157.53	\$ 104,692.53	Ordinance

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

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS:

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

<u>General Fund: Activity</u>	<u>Year Ended 12/31/17</u>	<u>Year Ended 12/31/18</u>
General Government - Legislative		5,032.44
Public Safety - Fire		139.28
Public Works - Highways & Streets	24,137.17	
Debt Service	272.00	

The Municipal Council plans to take the following actions to address these violations: supplemental budgets will be used when legal authority exists.

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

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

As of December 31, 2018 the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

As of December 31, 2018, the Municipality had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	<u>\$ 88,109.46</u>
Total Investments			<u><u>\$ 88,109.46</u></u>

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the Municipality's deposits may not be returned to it. The Municipality does not have a deposit policy for custodial credit risk.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year, except for \$45,738.72 of receivables related to economic development loans to qualifying businesses reported in the Special Revenue Revolving Loan Fund.

5. INVENTORY

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

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. CHANGES IN GENERAL CAPITAL ASSETS

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

	Balance 01/01/2017	Increases	Decreases	Balance 12/31/2018
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	802,809.48		(24,486.63)	778,322.85
Construction Work in Progress	3,504.81	637,491.23	(297,692.29)	343,303.75
<b>Total, not being Depreciated</b>	<b>806,314.29</b>	<b>637,491.23</b>	<b>(322,178.92)</b>	<b>1,121,626.60</b>
Capital Assets, being Depreciated:				
Buildings	4,753,673.13			4,753,673.13
Improvements Other Than Buildings	9,046,424.49	311,815.42		9,358,239.91
Machinery and Equipment	1,524,576.82	164,020.65	(52,178.00)	1,636,419.47
<b>Total, being Depreciated</b>	<b>15,324,674.44</b>	<b>475,836.07</b>	<b>(52,178.00)</b>	<b>15,748,332.51</b>
Less Accumulated Depreciation for:				
Buildings	(2,802,529.62)	(135,535.32)		(2,938,064.94)
Improvements Other Than Buildings	(4,566,603.28)	(803,836.96)		(5,370,440.24)
Machinery and Equipment	(679,821.76)	(183,843.91)	49,260.74	(814,404.93)
<b>Total Accumulated Depreciation</b>	<b>(8,048,954.66)</b>	<b>(1,123,216.19)</b>	<b>49,260.74</b>	<b>(9,122,910.11)</b>
<b>Total Governmental Activities Capital Assets, being Depreciated, Net</b>	<b>7,275,719.78</b>	<b>(647,380.12)</b>	<b>(2,917.26)</b>	<b>6,625,422.40</b>
<b>Governmental Activity Capital Assets, Net</b>	<b>8,082,034.07</b>	<b>(9,888.89)</b>	<b>(325,096.18)</b>	<b>7,747,049.00</b>

Depreciation expense was charged to functions as follows:

	2017	2018
<b>Governmental Activities:</b>		
General Government	\$ 11,841.74	\$ 12,043.20
Public Safety	12,414.24	13,618.72
Public Works	493,806.64	468,757.56
Culture and Recreation	55,853.43	54,880.66
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 573,916.05</b>	<b>\$ 549,300.14</b>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2017	Increases	Decreases	Balance 12/31/2018
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	74,000.00			74,000.00
Construction Work in Progress	0.00	305,621.00	(305,621.00)	0.00
<b>Total, not being Depreciated</b>	<b>74,000.00</b>	<b>305,621.00</b>	<b>(305,621.00)</b>	<b>74,000.00</b>
Capital Assets, being Depreciated:				
Buildings	200,877.02			200,877.02
Improvements Other Than Buildings	2,027,686.55	305,621.00		2,333,307.55
Machinery and Equipment	260,292.37			260,292.37
<b>Total, being Depreciated</b>	<b>2,488,855.94</b>	<b>305,621.00</b>	<b>0.00</b>	<b>2,794,476.94</b>
Less Accumulated Depreciation for:				
Buildings	(16,070.16)	(8,035.08)		(24,105.24)
Improvements Other Than Buildings	(308,553.15)	(85,787.64)		(394,340.79)
Machinery and Equipment	(86,674.81)	(36,166.08)		(122,840.89)
<b>Total Accumulated Depreciation</b>	<b>(411,298.12)</b>	<b>(129,988.80)</b>	<b>0.00</b>	<b>(541,286.92)</b>
<b>Total Business-Type Activities Capital Assets, being Depreciated, Net</b>	<b>2,077,557.82</b>	<b>175,632.20</b>	<b>0.00</b>	<b>2,253,190.02</b>
<b>Business-Type Activity Capital Assets, Net</b>	<b>2,151,557.82</b>	<b>481,253.20</b>	<b>(305,621.00)</b>	<b>2,327,190.02</b>

Depreciation expense was charged to functions as follows:

	2017	2018
<b>Business-Type Activities:</b>		
Water	\$ 40,795.44	\$ 38,302.68
Sewer	25,919.88	24,970.80
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 66,715.32</b>	<b>\$ 63,273.48</b>

Construction Work in Progress at December 31, 2018 is composed of the following:

Project Name	Project Authorization	Expended through 12/31/2018	Committed	Required Future Financing
Airport Taxilane Expansion	382,000.00	343,303.75	1,934.81	36,761.44

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**8. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/17	Additions	Deletions	Ending Balance 12/31/18	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue Bonds, Series 2012	270,000.00		180,000.00	90,000.00	90,000.00
Sales Tax Revenue Bonds, Series 2013	685,000.00		5,000.00	680,000.00	5,000.00
Fire Hall Loan	96,175.62		5,227.86	90,947.76	2,808.14
Special Assessment Bond, Series 2015	990,937.19		39,926.14	951,011.05	20,800.03
Special Assessment Bond, Series 2015	561,682.04		24,346.27	537,335.77	12,825.65
Total Debt	<u>2,603,794.85</u>	<u>0.00</u>	<u>254,500.27</u>	<u>2,349,294.58</u>	<u>131,433.82</u>
Accrued Compensated Absences- Governmental Funds	<u>14,807.48</u>	<u>17,089.23</u>	<u>13,743.02</u>	<u>18,153.69</u>	<u>8,000.00</u>
Total Governmental Activities	<u>2,618,602.33</u>	<u>17,089.23</u>	<u>268,243.29</u>	<u>2,367,448.27</u>	<u>139,433.82</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds - Rural Development	476,331.85		60,290.65	416,041.20	32,607.05
SRF - Drinking Water No. 1	219,926.52		22,512.08	197,414.44	11,683.89
SRF - Drinking Water No. 2	365,420.88		20,908.48	344,512.40	10,811.38
SRF - Clean Water No. 1	188,812.25		21,440.65	167,371.60	11,210.63
SRF - Clean Water No. 2	198,665.70		43,395.49	155,270.21	22,439.01
SRF - Clean Water No. 3	0.00	242,789.00		242,789.00	5,179.30
Total Debt	<u>1,449,157.20</u>	<u>242,789.00</u>	<u>168,547.35</u>	<u>1,523,398.85</u>	<u>93,931.26</u>
Accrued Compensated Absences- Business-Type Funds	<u>6,486.32</u>	<u>8,791.23</u>	<u>3,070.04</u>	<u>12,207.51</u>	<u>4,000.00</u>
Total Business-Type Activities	<u>1,455,643.52</u>	<u>251,580.23</u>	<u>171,617.39</u>	<u>1,535,606.36</u>	<u>97,931.26</u>
TOTAL PRIMARY GOVERNMENT	<u>4,074,245.85</u>	<u>268,669.46</u>	<u>439,860.68</u>	<u>3,903,054.63</u>	<u>237,365.08</u>

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

Revenue Bonds:

Sales Tax Revenue Bonds Series 2012;  
Final Maturity 2019; Fixed Interest Rate 0.50 to 2.40%;  
Paid by General Fund \$ 90,000.00

Revenue Bonds:

Sales Tax Revenue Bonds Series 2013;  
Final Maturity 2025; Fixed Interest Rate 4.50%;  
Paid by General Fund \$ 680,000.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Rural Development Loan:

Fire Hall Loan – 2003; Maturity Date 2039;  
Interest Rate 4.25 percent;  
Paid by the General Fund \$ 90,947.76

Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date July 21, 2055; Interest  
Rate 2.75 percent; Paid by the General Fund \$ 951,011.05

Special Assessment Bonds:

Special Assessment Bonds – Series 2015;  
Final Maturity Date July 21, 2045; Interest  
Rate 3.50 percent; Paid by the General Fund \$ 537,335.77

Revenue Bonds:

Revenue Bond Series 1997RD; Final Maturity 2029;  
Interest Rate 4.75 percent;  
Paid by the Sewer Fund \$ 416,041.20

State Revolving Fund Loan – Drinking Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2033; Interest Rate 2.50 percent;  
Paid by the Water Fund \$ 197,414.44

State Revolving Fund Loan – Drinking Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2043; Interest Rate 2.25 percent;  
Paid by the Water Fund \$ 344,512.40

State Revolving Fund Loan – Clean Water No. 1:

State Revolving Fund Loan; Final Maturity  
Date 2031; Interest Rate 3.00 percent;  
Paid by the Sewer Fund \$ 167,371.60

State Revolving Fund Loan – Clean Water No. 2:

State Revolving Fund Loan; Final Maturity  
Date 2025; Interest Rate 2.25 percent;  
Paid by the Sewer Fund \$ 155,270.21

State Revolving Fund Loan – Clean Water No. 3:

State Revolving Fund Loan; Final Maturity  
Date 2039; Interest Rate 2.25 percent;  
Paid by the Sewer Fund \$ 242,789.00

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Compensated Absences:

Accrued Vacation Leave for Employees Paid By:

General Fund	\$ 18,153.69
Water Fund	12,127.46
Sewer Fund	<u>80.05</u>
Total	<u>\$ 30,361.20</u>

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

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2018

Year Ending December 31,	Sales Tax Revenue Bonds Series 2012		Sales Tax Revenue Bonds Series 2013		Rural Development Loan - Fire Hall	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	90,000.00	2,160.00	5,000.00	30,600.00	2,808.14	3,838.86
2020			100,000.00	30,375.00	2,927.49	3,719.51
2021			105,000.00	25,875.00	3,051.90	3,595.10
2022			110,000.00	21,150.00	3,181.61	3,465.39
2023			115,000.00	16,200.00	3,316.83	3,330.17
2024-2028			245,000.00	16,650.00	18,822.32	14,412.68
2029-2033					23,176.80	10,058.20
2034-2038					29,160.33	4,074.67
2039-2043					4,502.34	191.35
2044-2048						
Totals	<u>90,000.00</u>	<u>2,160.00</u>	<u>680,000.00</u>	<u>140,850.00</u>	<u>90,947.76</u>	<u>46,685.93</u>

Year Ending December 31,	Special Assessment Bonds - Series 2015		Special Assessment Bonds - Series 2015		Revenue Bonds Series 1997RD	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	20,800.03	25,891.97	12,825.65	18,602.35	32,607.05	18,812.95
2020	21,379.28	25,312.72	13,281.80	18,146.20	34,190.08	17,229.92
2021	21,974.69	24,717.31	13,754.20	17,673.80	35,849.93	15,570.07
2022	22,586.66	24,105.34	14,243.41	17,184.59	37,590.38	13,829.62
2023	23,215.68	23,476.32	14,750.02	16,677.98	39,415.29	12,004.71
2024-2028	126,144.22	107,315.78	82,002.44	75,137.56	232,868.75	24,231.25
2029-2033	144,715.35	88,744.65	97,660.25	59,479.75	3,519.72	13.93
2034-2038	166,020.50	67,439.50	116,307.74	40,832.26		
2039-2043	190,462.24	42,997.76	138,515.90	18,624.10		
2044-2048	213,712.40	14,961.24	33,994.36	712.80		
Totals	<u>951,011.05</u>	<u>444,962.59</u>	<u>537,335.77</u>	<u>283,071.39</u>	<u>416,041.20</u>	<u>101,692.45</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Year Ending December 31,	State Revolving Loan Fund - Drinking Water No. 1		State Revolving Loan Fund - Drinking Water No. 2		State Revolving Loan Fund - Clean Water No. 1	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	11,683.89	4,826.39	10,811.38	7,660.74	11,210.63	4,895.81
2020	11,978.73	4,531.55	11,056.70	7,415.42	11,550.74	4,555.70
2021	12,281.02	4,229.26	11,307.59	7,164.53	11,901.19	4,205.25
2022	12,590.94	3,919.34	11,564.16	6,907.96	12,262.26	3,844.18
2023	12,908.67	3,601.61	11,826.56	6,645.56	12,634.29	3,472.15
2024-2028	69,597.25	12,954.15	63,281.92	29,078.68	69,159.09	11,373.11
2029-2033	66,373.94	3,794.75	70,794.73	21,565.87	38,653.40	1,612.70
2034-2038			79,199.45	13,161.15		
2039-2043			74,669.91	3,836.60		
2044-2048						
Totals	<u>197,414.44</u>	<u>37,857.05</u>	<u>344,512.40</u>	<u>103,436.51</u>	<u>167,371.60</u>	<u>33,958.90</u>

Year Ending December 31,	State Revolving Loan Fund - Clean Water No. 2		*State Revolving Loan Fund - Clean Water No. 3		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	22,439.01	3,305.15	5,179.30	2,910.48	225,365.08	123,504.70
2020	22,948.16	2,796.00	10,534.55	5,645.01	239,847.53	119,727.03
2021	23,468.86	2,275.30	10,773.59	5,405.97	249,362.97	110,711.59
2022	24,001.39	1,742.77	11,018.05	5,161.51	259,038.86	101,310.70
2023	24,545.99	1,198.17	11,268.06	4,911.50	268,881.39	91,518.17
2024-2028	37,866.80	749.01	60,293.48	20,604.32	1,005,036.27	312,506.54
2029-2033			67,451.50	13,446.30	512,345.69	198,716.15
2034-2038			58,248.32	5,418.48	448,936.34	130,926.06
2039-2043			8,022.15	67.76	416,172.54	65,717.57
2044-2048					247,706.76	15,674.04
Totals	<u>155,270.21</u>	<u>12,066.40</u>	<u>242,789.00</u>	<u>63,571.33</u>	<u>3,872,693.43</u>	<u>1,270,312.55</u>

\*The amortization schedule reflects payment amounts after all debt proceeds are received.

9. LONG-TERM COMMITMENT

The Municipality of Gregory entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$3,000.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The following are the minimum payments on this commitment:

2019	\$	36,000.00
2020	\$	36,000.00
2021	\$	36,000.00
2022	\$	36,000.00
2023	\$	36,000.00
2024-2028	\$	180,000.00
2029-2033	\$	180,000.00
2034-2038	\$	180,000.00
2039-2040	\$	72,000.00

10. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2017 and 2018 were as follows:

	<u>12/31/2017</u>	<u>12/31/2018</u>
Capital Projects	\$ 17,113.13	\$ 48,640.97
Debt Service	287,698.69	287,698.69
SDRS Pension	152,777.97	117,219.08
City Promotion	57,316.20	55,719.63
Cumulative Insurance Reserve	<u>26,620.08</u>	<u>17,752.00</u>
Total Restricted Net Position	<u>\$ 541,526.07</u>	<u>\$ 527,030.37</u>

These balances are restricted due to federal grant requirements, statutory requirements and governmental accounting standards.

11. PRIOR PERIOD ADJUSTMENTS

The Municipality recorded revenue not recorded prior in the General Fund. As a result, beginning net position has been restated to reflect the accounting for prior year's revenue in the General Fund as of January 1, 2017 as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Net Position January 1, 2017, as previously reported	993,072.29	6,766,526.68
To Account for Revenue Not Recorded Prior	12,560.00	12,560.00
Net Position January 1, 2017, as restated	<u>1,005,632.29</u>	<u>6,779,086.68</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

### Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 3<sup>rd</sup> 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:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2018, 2017, and 2016, were \$26,260.56, \$24,567.87, and \$23,789.09, 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, 2018, SDRS is 100.02% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2018 and reported by the Municipality as of December 31, 2018 are as follows:

Proportionate share of pension liability	\$ 2,475,230.13
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,475,702.02</u>
Proportionate share of net pension liability (asset)	<u>\$ (471.89)</u>

At December 31, 2018, the Municipality reported a liability (asset) of \$(471.89) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the Municipality's proportion was 0.02023340%, which is an increase (decrease) of 0.0006670% from its proportion measured as of June 30, 2017.

At June 30, 2017, SDRS is 100.10% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2017 and reported by the Municipality as of December 31, 2017 are as follows:

Proportionate share of pension liability	\$ 2,276,543.50
Less proportionate share of net pension restricted for pension benefits	<u>\$ 2,278,319.17</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,775.67)</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

At December 31, 2017, the Municipality reported a liability (asset) of \$(1,775.67) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Municipality's proportion was 0.01956640%, which is an increase (decrease) of (0.0015209%) from its proportion measured as of June 30, 2016.

For the year ended December 31, 2018, the Municipality recognized pension expense (reduction of expense) of \$35,558.91. At December 31, 2018 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 17,835.69	
Changes in assumption.	\$ 119,804.53	
Net difference between projected and actual earnings on pension plan investments.		\$ 35,663.86
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 5,295.56	\$ 4,086.44
Municipality contributions subsequent to the measurement date.	\$ 13,561.70	
<b>TOTAL</b>	<b>\$ 156,497.48</b>	<b>\$ 39,750.30</b>

\$13,561.70 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2019	\$ 65,587.55
2020	\$ 48,658.95
2021	\$ (6,776.35)
2022	\$ (4,284.66)
<b>TOTAL</b>	<b>\$ 103,185.49</b>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

For the year ended December 31, 2017, the Municipality recognized pension expense (reduction of expense) of \$(63,086.79). At December 31, 2017 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 28,451.13	
Changes in assumption.	\$ 137,869.81	
Net difference between projected and actual earnings on pension plan investments.		\$ 34,139.04
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 8,177.89	\$ 1,896.40
Municipality contributions subsequent to the measurement date.	<u>\$ 12,538.91</u>	
<b>TOTAL</b>	<u><u>\$ 187,037.74</u></u>	<u><u>\$ 36,035.44</u></u>

\$12,538.91 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2018	\$ 37,416.73
2019	\$ 62,489.30
2020	\$ 46,103.88
2021	<u>\$ (7,546.52)</u>
<b>TOTAL</b>	<u><u>\$ 138,463.39</u></u>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (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>100%</u>	

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) as of June 30, 2018 and 2017, was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

As of June 30, 2018, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$356,409.06	\$(471.89)	\$(290,775.18)

As of June 30, 2017, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$325,213.83	\$(1,775.67)	\$(268,051.46)

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Pension Plan Fiduciary Net Position:

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

13. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2018, the Municipality was not involved in any significant litigation.

14. RISK MANAGEMENT

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

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

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

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

As of December 31, 2018, the Municipality's balance available to be refunded per the SDPAA was \$17,752.00, which was a decrease of \$8,868.08 from the previous year. The change in the amount available for refund was accounted for as an increase in the insurance expenditures/expenses.

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

Worker's Compensation:

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

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

Unemployment Benefits:

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

15. JOINT VENTURE

The Municipality participates in a joint venture, known as the Southern Missouri Recycling & Waste Management District, formed for the purpose of providing solid waste disposal services to participating members.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The members of the joint venture are as follows:

Municipality of Armour	Municipality of Bonesteel	Charles Mix County
Douglas County	Municipality of Geddes	Gregory County
Municipality of Gregory	Municipality of Lake Andes	Municipality of Pickstown
Municipality of Ravinia	Municipality of Springfield	Municipality of Tabor
Municipality of Wagner		

The joint venture's governing board is composed of 13 representatives. The board is responsible for adopting the budget and setting service fees adequate to fund the budget.

The Municipality retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation.

The most recent financial information available for this joint venture is for the year ended December 31, 2016.

#### 16. TAX ABATEMENTS

The Municipality entered into property tax abatement agreements with local homeowners under SDCL 11-9 and Ordinance No. 2017-11. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the creation and encouragement of new housing development; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

Under the agreement, the Municipality may grant property tax abatements of:

- (A) Zero percent of the total property value for the first year following construction on such property;
- (B) For the second year following construction, not more than 20% of the usual taxable value shall be used for the tax purpose of the property;
- (C) For the third year following construction, not more than 40% of the usual taxable value shall be used for the tax purposes on the property;
- (D) For the fourth year following construction, not more that 60% of the usual taxable value shall be used for the tax purposes on the property.
- (E) For the fifth year following construction, not more than 80% of the usual taxable value shall be used for the tax purposes on the property.

The abatements may be granted to any new residential structures in the Grandview Addition of the Municipality of Gregory.

For the year ended December 31, 2018, the Municipality has not abated property taxes under this program.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	329,000.00	329,000.00	320,222.56	(8,777.44)
General Sales and Use Taxes	610,000.00	610,000.00	629,130.49	19,130.49
Amusement Taxes	0.00	0.00	156.00	156.00
Penalties and Interest on Delinquent Taxes	800.00	800.00	1,119.94	319.94
Licenses and Permits	14,000.00	14,000.00	14,220.00	220.00
Intergovernmental Revenue:				
Federal Grants	0.00	362,900.00	321,857.61	(41,042.39)
State Grants	0.00	0.00	19,313.98	19,313.98
State Shared Revenue:				
Bank Franchise Tax	5,000.00	5,000.00	4,913.40	(86.60)
Prorate License Fees	3,500.00	3,500.00	3,624.15	124.15
Liquor Tax Reversion	9,000.00	9,000.00	7,916.53	(1,083.47)
Motor Vehicle Licenses	15,000.00	15,000.00	16,013.44	1,013.44
Local Government Highway and Bridge Fund	48,000.00	48,000.00	48,014.07	14.07
County Shared Revenue:				
County Road Tax	6,000.00	6,000.00	6,001.84	1.84
Charges for Goods and Services:				
General Government	1,500.00	1,500.00	3,011.12	1,511.12
Public Safety	3,000.00	3,000.00	1,338.10	(1,661.90)
Highways and Streets	3,000.00	8,700.00	8,470.00	(230.00)
Airport	40,000.00	40,000.00	32,264.24	(7,735.76)
Culture and Recreation	12,000.00	12,000.00	10,355.50	(1,644.50)
Ambulance	120,000.00	123,000.00	116,874.21	(6,125.79)
Fines and Forfeits:				
Court Fines and Costs	300.00	300.00	250.00	(50.00)
Library	0.00	0.00	5,172.31	5,172.31
Miscellaneous Revenue:				
Investment Earnings	600.00	600.00	1,467.04	867.04
Rentals	31,000.00	31,000.00	33,624.69	2,624.69
Special Assessments	2,600.00	2,600.00	2,514.21	(85.79)
Contributions and Donations from Private Sources	0.00	0.00	655.00	655.00
Liquor Operating Agreement Income	12,500.00	12,500.00	10,906.55	(1,593.45)
Other	5,000.00	5,000.00	11,769.70	6,769.70
<b>Total Revenue</b>	<b>1,271,800.00</b>	<b>1,643,400.00</b>	<b>1,631,176.68</b>	<b>(12,223.32)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
General Government:				
Legislative	46,400.00	46,400.00	51,432.44	(5,032.44)
Contingency	19,900.00	19,900.00		
Amount Transferred		(14,000.00)		5,900.00
Executive	3,300.00	3,300.00	2,525.00	775.00
Elections	1,000.00	1,000.00	750.17	249.83
Financial Administration	94,700.00	104,200.00	91,583.74	12,616.26
Other	15,300.00	20,300.00	18,080.03	2,219.97
Total General Government	180,600.00	181,100.00	164,371.38	16,728.62
Public Safety:				
Police	209,500.00	221,200.00	209,617.65	11,582.35
Fire	24,000.00	24,000.00	24,139.28	(139.28)
Total Public Safety	233,500.00	245,200.00	233,756.93	11,443.07
Public Works:				
Highways and Streets	264,000.00	290,000.00	286,412.74	3,587.26
Airport	53,000.00	439,000.00	398,702.47	40,297.53
Transit	5,000.00	7,000.00	7,000.00	0.00
Total Public Works	322,000.00	736,000.00	692,115.21	43,884.79
Health and Welfare:				
Health	7,500.00	21,000.00	19,910.88	1,089.12
Ambulance	127,000.00	130,000.00	129,672.64	327.36
Total Health and Welfare	134,500.00	151,000.00	149,583.52	1,416.48
Culture and Recreation:				
Recreation	57,300.00	61,300.00	58,570.42	2,729.58
Parks	41,800.00	41,800.00	32,380.64	9,419.36
Libraries	75,000.00	75,000.00	41,614.12	33,385.88
Auditorium	12,000.00	95,650.00	88,568.94	7,081.06
Total Culture and Recreation	186,100.00	273,750.00	221,134.12	52,615.88
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	14,000.00	14,000.00	12,131.08	1,868.92
Total Conservation and Development	14,000.00	14,000.00	12,131.08	1,868.92
Debt Service	201,100.00	216,600.00	216,112.00	488.00
<b>Total Expenditures</b>	<b>1,271,800.00</b>	<b>1,817,650.00</b>	<b>1,689,204.24</b>	<b>128,445.76</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenue Over (Under) Expenditures	0.00	(174,250.00)	(58,027.56)	116,222.44
<b>Other Financing Sources (Uses):</b>				
Sale of Muncipal Property	0.00	0.00	22,523.28	22,523.28
Compensation for Loss or Damage to Capital Assets	0.00	83,600.00	88,330.14	4,730.14
Total Other Financing Sources (Uses)	0.00	83,600.00	110,853.42	27,253.42
Net Change in Fund Balances	0.00	(90,650.00)	52,825.86	143,475.86
Fund Balance - Beginning	1,021,901.58	1,021,901.58	1,021,901.58	0.00
<b>FUND BALANCE - ENDING</b>	<u>1,021,901.58</u>	<u>931,251.58</u>	<u>1,074,727.44</u>	<u>143,475.86</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	324,000.00	324,000.00	313,870.72	(10,129.28)
General Sales and Use Taxes	610,000.00	610,000.00	635,577.58	25,577.58
Amusement Taxes	0.00	0.00	144.00	144.00
Tax Deed Revenue	0.00	0.00	1,550.88	1,550.88
Penalties and Interest on Delinquent Taxes	800.00	800.00	892.31	92.31
Licenses and Permits	14,100.00	14,100.00	13,725.00	(375.00)
Intergovernmental Revenue:				
Federal Grants	34,000.00	281,000.00	320,658.28	39,658.28
State Grants	1,500.00	15,000.00	18,606.96	3,606.96
State Shared Revenue:				
Bank Franchise Tax	2,800.00	2,800.00	5,273.58	2,473.58
Prorate License Fees	3,500.00	3,500.00	3,475.36	(24.64)
Liquor Tax Reversion	9,000.00	9,000.00	8,413.91	(586.09)
Motor Vehicle Licenses	14,000.00	14,000.00	15,931.21	1,931.21
Local Government Highway and Bridge Fund	50,000.00	50,000.00	45,201.56	(4,798.44)
County Shared Revenue:				
County Road Tax	6,000.00	6,000.00	6,001.84	1.84
Other Intergovernmental Revenues	0.00	0.00	1,530.00	1,530.00
Charges for Goods and Services:				
General Government	1,000.00	1,000.00	2,757.50	1,757.50
Public Safety	4,000.00	4,000.00	3,555.32	(444.68)
Highways and Streets	3,000.00	3,000.00	10,770.38	7,770.38
Airport	56,000.00	56,000.00	36,053.53	(19,946.47)
Health	300.00	300.00	190.00	(110.00)
Culture and Recreation	12,400.00	12,400.00	11,285.00	(1,115.00)
Ambulance	95,000.00	115,000.00	112,180.42	(2,819.58)
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	25.00	25.00
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	2,392.72	1,892.72
Rentals	26,000.00	26,000.00	36,054.94	10,054.94
Special Assessments	2,600.00	2,600.00	2,305.57	(294.43)
Contributions and Donations from Private Sources	0.00	0.00	110.00	110.00
Liquor Operating Agreement Income	12,000.00	12,000.00	11,494.99	(505.01)
Other	5,000.00	5,000.00	9,973.65	4,973.65
<b>Total Revenue</b>	<b>1,287,500.00</b>	<b>1,568,000.00</b>	<b>1,630,002.21</b>	<b>62,002.21</b>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
General Government:				
Legislative	45,800.00	45,800.00	44,012.40	1,787.60
Executive	3,300.00	3,300.00	2,125.00	1,175.00
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	99,200.00	99,200.00	93,547.52	5,652.48
Other	19,300.00	27,300.00	24,754.67	2,545.33
Total General Government	<u>168,600.00</u>	<u>176,600.00</u>	<u>164,439.59</u>	<u>12,160.41</u>
Public Safety:				
Police	206,000.00	263,000.00	241,683.83	21,316.17
Fire	24,000.00	39,000.00	38,487.53	512.47
Total Public Safety	<u>230,000.00</u>	<u>302,000.00</u>	<u>280,171.36</u>	<u>21,828.64</u>
Public Works:				
Highways and Streets	261,000.00	329,000.00	353,137.17	(24,137.17)
Airport	101,500.00	361,500.00	337,028.93	24,471.07
Transit	5,000.00	5,000.00	5,000.00	0.00
Total Public Works	<u>367,500.00</u>	<u>695,500.00</u>	<u>695,166.10</u>	<u>333.90</u>
Health and Welfare:				
Health	7,000.00	7,000.00	1,371.52	5,628.48
Humane Society	500.00	500.00	349.80	150.20
Ambulance	102,000.00	122,000.00	118,208.01	3,791.99
Other				0.00
Total Health and Welfare	<u>109,500.00</u>	<u>129,500.00</u>	<u>119,929.33</u>	<u>9,570.67</u>
Culture and Recreation:				
Recreation	59,300.00	59,300.00	47,979.07	11,320.93
Parks	47,000.00	52,000.00	50,983.17	1,016.83
Libraries	65,600.00	65,600.00	58,533.71	7,066.29
Auditorium	11,500.00	13,500.00	12,004.82	1,495.18
Total Culture and Recreation	<u>183,400.00</u>	<u>190,400.00</u>	<u>169,500.77</u>	<u>20,899.23</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	15,300.00	16,300.00	15,072.47	1,227.53
Total Conservation and Development	<u>15,300.00</u>	<u>16,300.00</u>	<u>15,072.47</u>	<u>1,227.53</u>
Debt Service	<u>213,000.00</u>	<u>213,000.00</u>	<u>213,272.00</u>	<u>(272.00)</u>
<b>Total Expenditures</b>	<u>1,287,300.00</u>	<u>1,723,300.00</u>	<u>1,657,551.62</u>	<u>65,748.38</u>
Excess of Revenue Over (Under) Expenditures	<u>200.00</u>	<u>(155,300.00)</u>	<u>(27,549.41)</u>	<u>127,750.59</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses):</b>				
Sale of Muncipal Property	0.00	10,000.00	43,797.00	33,797.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	21.70	21.70
Total Other Financing Sources (Uses)	0.00	10,000.00	43,818.70	33,818.70
Net Change in Fund Balances	200.00	(145,300.00)	16,269.29	161,569.29
Fund Balance - Beginning	993,072.29	993,072.29	993,072.29	0.00
Adjustments:				
To Account for Agency Fund in General Fund	0.00	0.00	12,560.00	12,560.00
Restated Fund Balance - Beginning	993,072.29	993,072.29	1,005,632.29	12,560.00
<b>FUND BALANCE - ENDING</b>	<b>993,272.29</b>	<b>847,772.29</b>	<b>1,021,901.58</b>	<b>174,129.29</b>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

The Municipality did not encumber any amounts at December 31, 2017 or 2018.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Four Years \*

	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0202334%	0.0195664%	0.0210873%	0.0226021%
Municipality's proportionate share of net pension liability (asset)	\$ (472)	\$ (1,776)	\$ 71,231	\$ (95,862)
Municipality's covered-employee payroll	\$ 381,495	\$ 360,056	\$ 359,656	\$ 368,754
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.12%	0.49%	19.81%	26.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.1%	96.89%	104.10%

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

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Four Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 26,261	\$ 24,568	\$ 23,789	\$ 23,885
Contributions in relation to the contractually required contribution	<u>\$ 26,261</u>	<u>\$ 24,568</u>	<u>\$ 23,789</u>	<u>\$ 23,885</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 392,787	\$ 371,065	\$ 358,057	\$ 357,576
Contributions as a percentage of covered-employee payroll	6.69%	6.62%	6.64%	6.68%

**MUNICIPALITY OF GREGORY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2018**

	<u>Economic Development Fund</u>	<u>Liquor, Lodging, &amp; Dining Sales Tax Fund</u>	<u>Special Street Assessment Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	72,802.06	51,926.41	48,158.73	172,887.20
Special Assessments Receivable--Current			31,588.50	31,588.50
Special Assessments Receivable--Delinquent			1,267.70	1,267.70
Notes Receivable	31,890.47			31,890.47
Due from Other Government		3,793.22	482.24	4,275.46
<b>TOTAL ASSETS</b>	<u>104,692.53</u>	<u>55,719.63</u>	<u>81,497.17</u>	<u>241,909.33</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
Deferred Inflows of Resources:				
Unavailable Revenue - Special Assessments			32,856.20	32,856.20
<b>Total Deferred Inflows of Resources</b>	<u>0.00</u>	<u>0.00</u>	<u>32,856.20</u>	<u>32,856.20</u>
Fund Balances:				
Restricted for City Promotion		55,719.63		55,719.63
Restricted for Street Repair			48,640.97	48,640.97
Committed for Economic Development	104,692.53			104,692.53
<b>Total Fund Balances</b>	<u>104,692.53</u>	<u>55,719.63</u>	<u>48,640.97</u>	<u>209,053.13</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>104,692.53</u>	<u>55,719.63</u>	<u>81,497.17</u>	<u>241,909.33</u>

**MUNICIPALITY OF GREGORY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	<u>Economic Development Fund</u>	<u>Liquor, Lodging, &amp; Dining Sales Tax Fund</u>	<u>Special Street Assessment Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes		33,916.18		33,916.18
Miscellaneous Revenue:				
Investment Earnings	1,535.00		197.84	1,732.84
Special Assessment			31,360.00	31,360.00
<b>Total Revenue</b>	<b>1,535.00</b>	<b>33,916.18</b>	<b>31,557.84</b>	<b>67,009.02</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Streets			30.00	30.00
<b>Total Public Works</b>	<b>0.00</b>	<b>0.00</b>	<b>30.00</b>	<b>30.00</b>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)		35,512.75		35,512.75
<b>Total Conservation and Development</b>	<b>0.00</b>	<b>35,512.75</b>	<b>0.00</b>	<b>35,512.75</b>
<b>Total Expenditures</b>	<b>0.00</b>	<b>35,512.75</b>	<b>30.00</b>	<b>35,542.75</b>
<b>Net Change in Fund Balances</b>	<b>1,535.00</b>	<b>(1,596.57)</b>	<b>31,527.84</b>	<b>31,466.27</b>
<b>Fund Balance - Beginning</b>	<b>103,157.53</b>	<b>57,316.20</b>	<b>17,113.13</b>	<b>177,586.86</b>
<b>FUND BALANCE - ENDING</b>	<b>104,692.53</b>	<b>55,719.63</b>	<b>48,640.97</b>	<b>209,053.13</b>

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

	<u>Economic Development Fund</u>	<u>Liquor, Lodging, &amp; Dining &amp; Dining Sales Tax Fund</u>	<u>Special Street Assessment Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	64,033.15	52,205.10	16,836.62	133,074.87
Special Assessments Receivable--Current			31,546.00	31,546.00
Special Assessments Receivable--Delinquent			1,533.20	1,533.20
Notes Receivable	39,124.38			39,124.38
Due from Other Government		5,111.10	276.51	5,387.61
<b>TOTAL ASSETS</b>	<u>103,157.53</u>	<u>57,316.20</u>	<u>50,192.33</u>	<u>210,666.06</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
Deferred Inflows of Resources:				
Unavailable Revenue - Special Assessments			33,079.20	33,079.20
<b>Total Deferred Inflows of Resources</b>	<u>0.00</u>	<u>0.00</u>	<u>33,079.20</u>	<u>33,079.20</u>
Fund Balances:				
Restricted for City Promotion		57,316.20		57,316.20
Restricted for Street Repair			17,113.13	17,113.13
Committed for Economic Development	103,157.53			103,157.53
<b>Total Fund Balances</b>	<u>103,157.53</u>	<u>57,316.20</u>	<u>17,113.13</u>	<u>177,586.86</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>103,157.53</u>	<u>57,316.20</u>	<u>50,192.33</u>	<u>210,666.06</u>

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

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Street Assessment Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes		37,263.24		37,263.24
Miscellaneous Revenue:				
Investment Earnings	1,827.15		100.08	1,927.23
Special Assessment			24,905.00	24,905.00
<b>Total Revenue</b>	<b>1,827.15</b>	<b>37,263.24</b>	<b>25,005.08</b>	<b>64,095.47</b>
<b>Expenditures:</b>				
Public Works:				
Highways and Streets			15,895.90	15,895.90
<b>Total Public Works</b>	<b>0.00</b>	<b>0.00</b>	<b>15,895.90</b>	<b>15,895.90</b>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	450.00	34,500.00		34,950.00
<b>Total Conservation and Development</b>	<b>450.00</b>	<b>34,500.00</b>	<b>0.00</b>	<b>34,950.00</b>
<b>Total Expenditures</b>	<b>450.00</b>	<b>34,500.00</b>	<b>15,895.90</b>	<b>50,845.90</b>
<b>Net Change in Fund Balances</b>	<b>1,377.15</b>	<b>2,763.24</b>	<b>9,109.18</b>	<b>13,249.57</b>
Fund Balance - Beginning	101,780.38	54,552.96	8,003.95	164,337.29
<b>FUND BALANCE - ENDING</b>	<b>103,157.53</b>	<b>57,316.20</b>	<b>17,113.13</b>	<b>177,586.86</b>