

CITY OF MILLER
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2017 AND 2016

CITY OF MILLER
CITY OFFICIALS
DECEMBER 31, 2017

Mayor:

Ronald Blachford

Governing Board:

Anthony Rangel
Bob Steers
SuAnne Meyer
Jeff Swartz
Joe Zeller
Jim Odegaard

Finance Officer:

Sheila Coss

Attorney:

Riter, Rogers, Wattier & Northrup, LLP

CITY OF MILLER

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' 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**

City Council
City of Miller
Miller, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 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 City's basic financial statements and have issued our report thereon dated August 23, 2018, which was adverse for the discretely presented component unit because there were no audited modified cash basis of accounting financial statements available for the component unit in 2016 or 2017 and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, that we consider to be material weaknesses as items #2017-001, #2017-002, #2017-003, and #2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2017-001 and #2017-005.

City's Response to Findings

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

Purpose of this Report

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

Kohlman, Bierschbach & Anderson, LLP

August 23, 2018

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

City Council
City of Miller
Miller, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Miller, South Dakota (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the biennial period ended December 31, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The result of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2017-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2017-001 that we consider to be a material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

Purpose of this Report

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

Kohlman, Bierschbach & Anderson, L L P

August 23, 2018

CITY OF

MILLER

South Dakota

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The City of Miller is an equal opportunity employer.

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016**

PRIOR AUDIT FINDINGS:

#2015-01

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity. It is unknown the initial occurrence of this comment. This comment has not been corrected and is restated as current other audit finding #2017-002. The reason for the recurrence is a lack of financial resources available to have the additional staff needed to adequately segregate duties.

#2015-02

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This finding initially occurred in 2011. This comment has not been corrected and is restated as current other audit finding #2017-003. The reason for the recurrence is a lack of financial resources available to provide an internal control structure to prepare the financial statements.

#2015-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This finding initially occurred in 2011. This comment has not been corrected and is restated as current other audit finding #2017-004. The reason for the recurrence is the lack of financial resources available to provide an internal control structure to record all necessary adjustments.

#2015-04

The City made an operating transfer of \$100,000 from the Electric Fund to the Capital Projects Fund for \$50,000 and the General Fund for \$50,000, without board approval. This finding initially occurred in 2015. This finding has been resolved.

#2015-05

For the year ended December 31, 2014, the City went over budget in the General Fund in the account Highways and Streets by \$27,257, in the account Other Health by \$2,000, in the account Recreation by \$4,500, and in the account Museums by \$1,600. This finding initially occurred in 2011. This finding has been resolved.

#2015-06

The City fell short of the surcharge collection by \$87,991 in 2014 and \$66,476 in 2015. This finding initially occurred in 2013. This comment has been restated as current other audit finding #2017-005. The reason for the recurrence is the City is working on the surcharge calculation to calculate an appropriate surcharge rate.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016

Summary of the Independent Auditors' Results:

Financial Statements:

- a. An adverse opinion on the financial statements of the discretely presented component unit opinion unit was issued because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings #2017-001, #2017-002, #2017-003, and #2017-004.
- c. Our audit did disclose instances of noncompliance which were material to the financial statements. These are described in findings #2017-001 and #2017-005.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of written policies regarding federal awards affecting the Cost Principles compliance requirement category as discussed in finding #2017-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that are required to be reported in accordance with 2 CFR 200.516(a). See finding #2017-001.
- g. The federal award tested as a major program was :
 - 1. Water and Waste Disposal Systems for Rural Communities CFDA #10.760.
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. City of Miller did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2017-001

Major Federal Program

Department of Agriculture
CFDA #10.760
Water and Waste Disposal Systems for Rural Communities

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016
(Continued)

Criteria

2 CFR 200, Subparts D and E require written policies relative to federal awards to ensure compliance with federal statutes, regulations and terms and conditions of the federal awards.

Condition Found

The City has no written policies relative to federal awards.

Questioned Costs

None noted.

Cause

The City has not adopted any written policies relative to federal awards to be in compliance with 2 CFR 200, Subparts D and E.

Effect

By not having policies in place, the City has weaker controls to ensure that federal awards are being properly used, and they are not in compliance with 2 CFR 200, Subparts D and E.

Identification as a Repeat Finding

No, this is not a repeat finding.

Recommendation

We recommend the City adopt a written policy relative to federal awards.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Federal Compliance-Related Audit Findings:

Finding #2017-001

This comment has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more detail on the comment.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2017-002

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016
(Continued)

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

Cause

The City only has 3 employees in the finance department, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, and equity. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and should attempt to provide compensating controls wherever and whenever possible and practical.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Finding #2017-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The City was not able to prepare the annual financial statements, so they requested assistance to ensure they were properly prepared.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016
(Continued)

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Finding #2017-004

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause

The City had some adjustments that needed to be made in order to get their accounting records in accordance with other comprehensive basis of accounting modified cash basis that were not properly made.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Compliance and Other Matters:

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2017 AND 2016
(Continued)

Finding #2017-005

Criteria

The Official Statement of the Taxable Electric Revenue Bond Series 2010A has a rate covenant that requires a surcharge. The rate covenant states “The surcharge shall at all times be sufficient to produce net revenues for each fiscal year at least equal to 125% of the principal and interest on the bonds coming due in such fiscal year”.

Condition Found

The City fell short of the surcharge collection by \$112,875 in 2016 and \$117,378 in 2017.

Cause

The calculation to determine the surcharge was not set up correctly due to variable factors in the calculation to ensure that enough surcharge was collected to meet the rate covenant.

Effect

The City is not in compliance with the Taxable Electric Revenue Bond Series 2010A rate covenant.

Recommendation

We recommend the City increase its surcharge calculation to bring it into compliance.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 12 - 13.

Closing Conference

The contents of this report were discussed with Ron Blachford, SuAnne Meyer, Jeff Swartz, Bob Steers and Sheila Coss on July 2, 2018.



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**CORRECTIVE ACTION PLANS
DECEMBER 31, 2017 AND 2016**

City of Miller submits the following corrective action plans for the two years ended December 31, 2017.

Corrective Action Plan #2017-001

Condition: The City has no written policies relative to federal awards.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: We are in the process of implementing a policy regarding being in compliance with federal awards.

Anticipated completion date: December 31, 2020

Corrective Action Plan #2017-002

Condition: A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: This comment is a result of the size of the City of Miller which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash and equity. The City of Miller is aware of the problem and is attempting to provide compensating controls by having the mayor review the financial statements and bank statements monthly to reduce risks. However, the lack of segregation of duties regarding revenues, cash, and equity continues to exist.

Anticipated completion date: Ongoing

Corrective Action Plan #2017-003

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City prefers to have an auditing firm do the financial reports, which are reviewed by the council, mayor and finance officer.

Anticipated completion date: Ongoing

**CORRECTIVE ACTION PLANS
DECEMBER 31, 2017 AND 2016
(Continued)**

Corrective Action Plan #2017-004

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: The City accepts the risk of deficiency. The Council will attempt to be more accurate with account classifications in future transactions.

Anticipated completion date: Ongoing

Corrective Action Plan #2017-005

Condition: The City fell short of the surcharge collection by \$112,875 in 2016 and \$117,378 in 2017.

Responsible official: Ron Blachford, Mayor

Planned corrective actions: We are actively attempting to correct our surcharge shortfall for the Taxable Electric Revenue Bond.

Anticipated completion date: December 31, 2020

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Miller
Miller, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 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 City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' 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 auditors' 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 City'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 City'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 unmodified and adverse audit opinions.

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported for the year ended December 31, 2017, as \$856,205, \$32,885, \$823,320, \$224,961, and \$224,017 and for the year ended December 31, 2016, as \$848,316, \$25,943, \$822,373, \$217,234, and \$220,616.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Miller, South Dakota, as of December 31, 2017, or the changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2017, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of Expenditures of Federal Awards which is required by the Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles,

and Audit Requirements for Federal Awards, the Schedule of Changes in Long-Term Debt and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 23, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

August 23, 2018

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2017

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$645,300	\$2,307,967	\$2,953,267
Investments	--	60,685	60,685
Restricted Assets:			
Cash and cash equivalents	--	729,443	729,443
TOTAL ASSETS	<u>\$645,300</u>	<u>\$3,098,095</u>	<u>\$3,743,395</u>
NET POSITION:			
Restricted for:			
Debt Service purposes	\$ --	\$ 729,443	\$ 729,443
Liquor, Lodging and Dining			
Gross Receipts Tax purposes	11,319	--	11,319
Unrestricted	<u>633,981</u>	<u>2,368,652</u>	<u>3,002,633</u>
TOTAL NET POSITION	<u>\$645,300</u>	<u>\$3,098,095</u>	<u>\$3,743,395</u>

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 102,688	\$ 36,381	\$ --	\$ --	\$ (66,307)		\$ (66,307)
Public safety	641,263	2,403	7,042	17,448	(614,370)		(614,370)
Public works	361,942	10,164	90,483	211,313	(49,982)		(49,982)
Health and welfare	2,000	175	8,299	--	6,474		6,474
Culture and recreation	125,711	16,023	--	--	(109,688)		(109,688)
Conservation and development	142,380	--	--	--	(142,380)		(142,380)
Miscellaneous	--	6,083	--	--	6,083		6,083
*Interest on long-term debt	9,589	--	--	--	(9,589)		(9,589)
Total Governmental Activities	1,385,573	71,229	105,824	228,761	(979,759)		(979,759)
Business-Type Activities:							
Water	2,176,070	604,710	--	427,937		\$(1,143,423)	(1,143,423)
Sewer	3,559,310	395,680	--	638,294		(2,525,336)	(2,525,336)
Electric	1,991,431	2,080,813	--	5,000		94,382	94,382
Total Business-Type Activities	7,726,811	3,081,203	--	1,071,231		(3,574,377)	(3,574,377)
Total Primary Government	\$9,112,384	\$3,152,432	\$105,824	\$1,299,992	(979,759)	(3,574,377)	(4,554,136)
* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
					377,690	--	377,690
					781,205	--	781,205
					12,483	--	12,483
					2,959	--	2,959
					1,025	6,576	7,601
					--	3,623,281	3,623,281
					46,535	197,000	243,535
					1,221,897	3,826,857	5,048,754
					242,138	252,480	494,618
					403,162	2,845,615	3,248,777
					\$ 645,300	\$ 3,098,095	\$ 3,743,395

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

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 168,766	\$ 35,580	\$ --	\$ 5,000	\$ (128,186)		\$ (128,186)
Public safety	347,297	1,542	6,143	--	(339,612)		(339,612)
Public works	1,120,580	13,641	94,639	478,557	(533,743)		(533,743)
Health and welfare	2,000	25	8,322	--	6,347		6,347
Culture and recreation	105,249	16,538	--	566	(88,145)		(88,145)
Conservation and development	166,465	--	--	--	(166,465)		(166,465)
Miscellaneous	--	5,771	--	--	5,771		5,771
*Interest on long-term debt	10,726	--	--	--	(10,726)		(10,726)
Total Governmental Activities	1,921,083	73,097	109,104	484,123	(1,254,759)		(1,254,759)
Business-Type Activities:							
Water	580,146	586,591	--	17,712		\$ 24,157	24,157
Sewer	532,628	313,999	--	31,348		(187,281)	(187,281)
Electric	1,962,487	2,079,725	--	--		117,238	117,238
Total Business-Type Activities	3,075,261	2,980,315	--	49,060		(45,886)	(45,886)
Total Primary Government	\$4,996,344	\$3,053,412	\$109,104	\$533,183	(1,254,759)	(45,886)	(1,300,645)
* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
					374,976	--	374,976
					766,089	--	766,089
					12,656	--	12,656
					3,314	--	3,314
					692	2,914	3,606
					--	294,014	294,014
					117,550	200,740	318,290
					<u>1,275,277</u>	<u>497,668</u>	<u>1,772,945</u>
						20,518	472,300
						451,782	472,300
					<u>382,644</u>	<u>2,393,833</u>	<u>2,776,477</u>
					<u>\$ 403,162</u>	<u>\$2,845,615</u>	<u>\$ 3,248,777</u>

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

CITY OF MILLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ <u>633,981</u>	\$ <u>11,319</u>	\$ <u>645,300</u>
TOTAL ASSETS	\$<u>633,981</u>	\$<u>11,319</u>	\$<u>645,300</u>
FUND BALANCES:			
Restricted	\$ --	\$11,319	\$ 11,319
Assigned	83,684	--	83,684
Unassigned	<u>550,297</u>	<u>--</u>	<u>550,297</u>
TOTAL FUND BALANCES	\$<u>633,981</u>	\$<u>11,319</u>	\$<u>645,300</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes:				
General property taxes	\$ 376,952	\$ --	\$ --	\$ 376,952
General sales and use taxes	740,163	--	41,042	781,205
Amusement taxes	36	--	--	36
Penalties and interest on delinquent taxes	702	--	--	702
Licenses and Permits	13,860	--	--	13,860
Intergovernmental Revenue:				
Federal grants	31,422	192,548	--	223,970
State grants	9,435	10,697	--	20,132
State shared revenue:				
Bank franchise tax	3,239	--	--	3,239
Prorate license fees	7,257	--	--	7,257
Liquor tax reversion (25%)	9,244	--	--	9,244
Motor vehicle licenses	33,031	--	--	33,031
Local government highway and bridge fund	45,872	--	--	45,872
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	2,231	--	--	2,231
Charges for Goods and Services:				
General government	95	--	--	95
Public safety	2,336	--	--	2,336
Highways and streets	9,979	--	--	9,979
Sanitation	185	--	--	185
Health	175	--	--	175
Culture and recreation	16,023	--	--	16,023
Other	6,083	--	--	6,083
Fines and Forfeits:				
Court fines and costs	67	--	--	67
Miscellaneous Revenue:				
Investment earnings	1,025	--	--	1,025
Rentals	22,426	--	--	22,426
Contributions and donations from private sources	2,959	--	--	2,959
Other	<u>31,875</u>	<u>--</u>	<u>--</u>	<u>31,875</u>
TOTAL REVENUE	<u>1,370,995</u>	<u>203,245</u>	<u>41,042</u>	<u>1,615,282</u>
EXPENDITURES:				
General Government:				
Legislative	30,059	--	--	30,059
Elections	15	--	--	15
Financial administration	52,732	--	--	52,732

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Other	19,882	--	--	19,882
Public Safety:				
Police	341,531	--	--	341,531
Fire	39,283	--	--	39,283
Protective inspection	4,537	--	--	4,537
Other protection	17,448	--	--	17,448
Public Works:				
Highways and streets	344,890	--	--	344,890
Airport	17,052	--	--	17,052
Health and Welfare:				
Other	2,000	--	--	2,000
Culture and Recreation:				
Recreation	84,499	--	14,950	99,449
Parks	26,262	--	--	26,262
Conservation and Development:				
Urban redevelopment and housing	59	--	--	59
Economic development and assistance	109,878	--	32,443	142,321
Debt Service	<u>248,053</u>	--	--	<u>248,053</u>
TOTAL EXPENDITURES	<u>1,338,180</u>	<u>--</u>	<u>47,393</u>	<u>1,385,573</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,815</u>	<u>203,245</u>	<u>(6,351)</u>	<u>229,709</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,202	--	--	5,202
Transfers out	--	(5,202)	--	(5,202)
Sale of municipal property	<u>12,429</u>	--	--	<u>12,429</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,631</u>	<u>(5,202)</u>	<u>--</u>	<u>12,429</u>
NET CHANGE IN FUND BALANCES	50,446	198,043	(6,351)	242,138
FUND BALANCE - BEGINNING	<u>583,535</u>	<u>(198,043)</u>	<u>17,670</u>	<u>403,162</u>
FUND BALANCE - ENDING	<u>\$ 633,981</u>	<u>\$ --</u>	<u>\$11,319</u>	<u>\$ 645,300</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes:				
General property taxes	\$ 374,202	\$ --	\$ --	\$ 374,202
General sales and use taxes	724,249	--	41,840	766,089
Amusement taxes	36	--	--	36
Penalties and interest on delinquent taxes	738	--	--	738
Licenses and Permits	15,335	--	--	15,335
Intergovernmental Revenue:				
Federal grants	374,283	79,343	--	453,626
State grants	34,988	4,408	--	39,396
State shared revenue:				
Bank franchise tax	2,942	--	--	2,942
Prorate license fees	7,331	--	--	7,331
Liquor tax reversion (25%)	9,714	--	--	9,714
Motor vehicle licenses	31,875	--	--	31,875
Local government highway and bridge fund	51,110	--	--	51,110
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	2,702	--	--	2,702
Charges for Goods and Services:				
General government	74	--	--	74
Public safety	1,495	--	--	1,495
Highways and streets	12,815	--	--	12,815
Sanitation	826	--	--	826
Health	25	--	--	25
Culture and recreation	16,538	--	--	16,538
Other	5,771	--	--	5,771
Fines and Forfeits:				
Court fines and costs	47	--	--	47
Miscellaneous Revenue:				
Investment earnings	692	--	--	692
Rentals	20,171	--	--	20,171
Contributions and donations from private sources	8,880	--	--	8,880
Other	<u>22,513</u>	<u>--</u>	<u>--</u>	<u>22,513</u>
TOTAL REVENUE	<u>1,723,675</u>	<u>83,751</u>	<u>41,840</u>	<u>1,849,266</u>
EXPENDITURES:				
General Government:				
Legislative	28,759	--	--	28,759
Elections	2,387	--	--	2,387
Financial administration	76,082	--	--	76,082

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Other	61,538	--	--	61,538
Public Safety:				
Police	300,580	--	--	300,580
Fire	21,840	--	--	21,840
Protective inspection	4,910	--	--	4,910
Other protection	465	--	--	465
Public Works:				
Highways and streets	461,640	--	--	461,640
Airport	446,103	196,678	--	642,781
Health and Welfare:				
Other	2,000	--	--	2,000
Culture and Recreation:				
Recreation	86,917	--	--	86,917
Parks	18,332	--	--	18,332
Conservation and Development:				
Urban redevelopment and housing	46	--	--	46
Economic development and assistance	132,000	--	34,419	166,419
Debt Service	<u>47,831</u>	<u>--</u>	<u>--</u>	<u>47,831</u>
TOTAL EXPENDITURES	<u>1,691,430</u>	<u>196,678</u>	<u>34,419</u>	<u>1,922,527</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,245</u>	<u>(112,927)</u>	<u>7,421</u>	<u>(73,261)</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	92,335	--	--	92,335
Compensation for loss or damage to capital assets	<u>1,444</u>	<u>--</u>	<u>--</u>	<u>1,444</u>
TOTAL OTHER FINANCING SOURCES	<u>93,779</u>	<u>--</u>	<u>--</u>	<u>93,779</u>
NET CHANGE IN FUND BALANCES	126,024	(112,927)	7,421	20,518
FUND BALANCE - BEGINNING	<u>457,511</u>	<u>(85,116)</u>	<u>10,249</u>	<u>382,644</u>
FUND BALANCE - ENDING	<u>\$ 583,535</u>	<u>\$(198,043)</u>	<u>\$17,670</u>	<u>\$ 403,162</u>

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

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$387,195	\$320,881	\$1,599,891	\$2,307,967
Investments	—	—	60,685	60,685
Total Current Assets	<u>387,195</u>	<u>320,881</u>	<u>1,660,576</u>	<u>2,368,652</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	<u>35,887</u>	<u>54,915</u>	<u>638,641</u>	<u>729,443</u>
Total Noncurrent Assets	<u>35,887</u>	<u>54,915</u>	<u>638,641</u>	<u>729,443</u>
TOTAL ASSETS	<u>\$423,082</u>	<u>\$375,796</u>	<u>\$2,299,217</u>	<u>\$3,098,095</u>
NET POSITION:				
Restricted for:				
Revenue bond debt service	\$ 35,887	\$ 54,915	\$ 638,641	\$ 729,443
Unrestricted	<u>387,195</u>	<u>320,881</u>	<u>1,660,576</u>	<u>2,368,652</u>
TOTAL NET POSITION	<u>\$423,082</u>	<u>\$375,796</u>	<u>\$2,299,217</u>	<u>\$3,098,095</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
OPERATING REVENUE:				
Charges for goods and services	\$ 498,644	\$ 207,330	\$1,667,226	\$ 2,373,200
Revenue dedicated to servicing debt	<u>106,066</u>	<u>188,350</u>	<u>413,587</u>	<u>708,003</u>
TOTAL OPERATING REVENUE	<u>604,710</u>	<u>395,680</u>	<u>2,080,813</u>	<u>3,081,203</u>
OPERATING EXPENSES:				
Personal services	135,569	134,786	268,684	539,039
Other current expense	55,189	33,840	120,626	209,655
Materials (cost of goods sold)	192,687	--	984,930	1,177,617
Capital assets	<u>1,277,611</u>	<u>3,117,551</u>	<u>30,230</u>	<u>4,425,392</u>
TOTAL OPERATING EXPENSES	<u>1,661,056</u>	<u>3,286,177</u>	<u>1,404,470</u>	<u>6,351,703</u>
OPERATING INCOME (LOSS)	<u>(1,056,346)</u>	<u>(2,890,497)</u>	<u>676,343</u>	<u>(3,270,500)</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	427,937	638,294	5,000	1,071,231
Investment earnings	438	793	5,345	6,576
Debt service (principal)	(488,782)	(250,644)	(130,000)	(869,426)
Interest expense	(26,232)	(22,489)	(456,961)	(505,682)
Sale of municipal property	--	--	1,924	1,924
Long-term debt issued	1,235,585	2,387,696	--	3,623,281
Other	<u>--</u>	<u>--</u>	<u>195,076</u>	<u>195,076</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>1,148,946</u>	<u>2,753,650</u>	<u>(379,616)</u>	<u>3,522,980</u>
CHANGE IN NET POSITION	92,600	(136,847)	296,727	252,480
NET POSITION - BEGINNING	<u>330,482</u>	<u>512,643</u>	<u>2,002,490</u>	<u>2,845,615</u>
NET POSITION - ENDING	<u>\$ 423,082</u>	<u>\$ 375,796</u>	<u>\$2,299,217</u>	<u>\$ 3,098,095</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
OPERATING REVENUE:				
Charges for goods and services	\$547,378	\$ 288,751	\$1,701,497	\$2,537,626
Revenue dedicated to servicing debt	<u>39,213</u>	<u>25,248</u>	<u>378,228</u>	<u>442,689</u>
TOTAL OPERATING REVENUE	<u>586,591</u>	<u>313,999</u>	<u>2,079,725</u>	<u>2,980,315</u>
OPERATING EXPENSES:				
Personal services	121,511	120,335	246,979	488,825
Other current expense	77,054	26,504	77,946	181,504
Materials (cost of goods sold)	191,859	--	1,000,405	1,192,264
Capital assets	<u>102,576</u>	<u>319,053</u>	<u>50,946</u>	<u>472,575</u>
TOTAL OPERATING EXPENSES	<u>493,000</u>	<u>465,892</u>	<u>1,376,276</u>	<u>2,335,168</u>
OPERATING INCOME (LOSS)	<u>93,591</u>	<u>(151,893)</u>	<u>703,449</u>	<u>645,147</u>
NONOPERATING REVENUE (EXPENSE):				
Capital grants	17,712	31,348	--	49,060
Investment earnings	278	601	2,035	2,914
Debt service (principal)	(59,625)	(60,627)	(125,000)	(245,252)
Interest expense	(27,521)	(6,109)	(461,211)	(494,841)
Sale of municipal property	424	423	3,447	4,294
Long-term debt issued	54,000	240,014	--	294,014
Other	<u>--</u>	<u>3,118</u>	<u>193,328</u>	<u>196,446</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(14,732)</u>	<u>208,768</u>	<u>(387,401)</u>	<u>(193,365)</u>
CHANGE IN NET POSITION	78,859	56,875	316,048	451,782
NET POSITION - BEGINNING	<u>251,623</u>	<u>455,768</u>	<u>1,686,442</u>	<u>2,393,833</u>
NET POSITION - ENDING	<u>\$330,482</u>	<u>\$ 512,643</u>	<u>\$2,002,490</u>	<u>\$2,845,615</u>

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. **Financial Reporting Entity:**

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

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

The Housing and Redevelopment Commission of the City of Miller, 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: Miller Housing and Redevelopment Commission, 105 N. Broadway, Miller, SD 57362.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Liquor, Lodging and Dining Gross Receipts 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 for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the City (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is the only nonmajor governmental fund.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

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

Airport Improvement Capital Projects Fund - To account for financial resources to be used for construction of airport improvements. This is 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 City 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 City sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities (SDCL 9-39-1 and 9-39-26). 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.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

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 within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

1. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

investment pools, are also considered to be cash equivalents.

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 investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (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 Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. Under the modified cash basis of accounting, capital assets arising from cash transactions reported in the government-wide financial statements are accounted for as assets in the Statement of Net Position. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities, are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the City and the related depreciation are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, revenue bonds and other long-term liabilities.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities, are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The City has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-Wide Financial Statements:

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

1. 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.
2. Unrestricted net position - All other net position that do not meet the definition of restricted net position.

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.

j. Application of Net Position:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - (Continued)

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 City classifies governmental fund balances as follows:

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

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

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

A schedule of fund balances is provided as follows:

CITY OF MILLER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General Fund</u>	<u>Liquor, Lodging and Dining Gross Receipts Tax Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Restricted for:			
Liquor, Lodging and Dining Gross Receipts Tax	\$ --	\$11,319	\$ 11,319
Assigned to:			
Applied to next year's budget	66,184	--	66,184
Capital outlay accumulations	17,500	--	17,500
Unassigned	<u>550,297</u>	<u>--</u>	<u>550,297</u>
Total Fund Balances	<u>\$633,891</u>	<u>\$11,319</u>	<u>\$645,300</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of December 31, 2017, the City 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 City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. All of the City's investments are in a certificate of deposit.

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

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

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 - (Continued)

<u>Amount:</u>	<u>Purpose:</u>
\$ 35,887	For debt service in the Water Fund
\$ 54,915	For debt service in the Sewer Fund
\$638,641	For debt service in the Electric Fund

NOTE 4 - PROPERTY TAXES

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

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

NOTE 5 - CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2017, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$45,000.

NOTE 6 - RESTRICTED NET POSITION

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

Major Purposes:	
Debt Service Purposes - Water Fund	\$ 35,887
Debt Service Purposes - Sewer Fund	54,915
Debt Service Purposes - Electric Fund	638,641
Other Purposes:	
Liquor, Lodging and Dining Gross Receipts Tax Purposes	<u>11,319</u>
Total Restricted Net Position	<u>\$740,762</u>

These balances are restricted by the terms of bond agreements and statutory requirements.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 - INTERFUND TRANSFERS

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

	<u>Transfer to:</u>
<u>Transfer From:</u>	<u>General Fund</u>
Major Funds:	
Capital Projects Fund	\$5,202

There were no interfund transfers for the year ended December 31, 2016.

The transfer out of the Capital Projects Fund to the General Fund was to close it.

NOTE 8 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://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, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 - (Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the calendar years ended December 31, 2017, 2016, and 2015 were \$49,605, \$43,466, and \$44,787, respectively, equal to the required contributions each year.

Pension Asset:

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

Proportionate share of net position restricted for pension benefits	\$4,422,161
Less proportionate share of total pension liability	<u>4,418,715</u>
Proportionate share of net pension asset	<u>\$ 3,446</u>

The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the City's proportion was .0379779%, which is an increase of .000259% from its proportion measured as of June 30, 2016.

Actuarial Assumptions:

The total pension liability 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 6.5% at entry to 3.00%
Discount Rate	6.5 percent net of plan investment expense

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 - (Continued)

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

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

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$631,232	\$(3,446)	\$(520,281)

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 - (Continued)

Pension Plan Fiduciary Net Position:

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

NOTE 9 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 23, 2018, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 11 - RISK MANAGEMENT

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

Employee Health Insurance:

The City purchased health insurance for its employees from a commercial insurance carrier in 2016. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years. The City switched from a commercial insurance carrier to the South Dakota Municipal League Health Pool of South Dakota on December 31, 2016.

The City joined the South Dakota Municipal League Health Pool of South Dakota in 2017. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City 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 does not include a lifetime maximum payment per person.

The City 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 year.

Liability Insurance:

The City 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 City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11 - (Continued)

annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, automobile liability, legal liability, and property coverage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 limit, with certain exceptions. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2017, the City has vested balance in the cumulative reserve fund of \$36,218.51. This amount does not appear in the financial statements because this is a modified cash basis entity.

The City carries a \$0 deductible for the general liability, automobile liability, and fire damage legal liability coverage, a \$2,000 deductible for the law enforcement operations coverage, and a \$0 deductible for the officials' liability coverage.

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

Worker's Compensation:

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11 - (Continued)

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2017, 2 claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$4,847. During the year ended December 31, 2016, 1 claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$8,544. At December 31, 2017, no additional claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 361,500	\$ 361,500	\$ 376,952	\$ 15,452
General sales and use taxes	700,000	712,000	740,163	28,163
Amusement taxes	--	--	36	36
Penalties and interest on delinquent taxes	500	500	702	202
Licenses and Permits	10,300	10,300	13,860	3,560
Intergovernmental Revenue:				
Federal grants	--	24,488	31,422	6,934
State grants	--	--	9,435	9,435
State shared revenue:				
Bank franchise tax	3,000	3,000	3,239	239
Prorate license fees	6,000	6,000	7,257	1,257
Liquor tax reversion (25%)	10,000	10,000	9,244	(756)
Motor vehicles licenses	22,500	22,500	33,031	10,531
Local government highway and bridge fund	45,000	45,000	45,872	872
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,500	2,500	2,231	(269)
Charges for Goods and Services:				
General government	--	--	95	95
Public safety	500	500	2,336	1,836
Highways and streets	5,000	5,000	9,979	4,979
Sanitation	250	250	185	(65)
Health	100	100	175	75
Culture and recreation	15,000	15,000	16,023	1,023
Other	5,000	5,000	6,083	1,083
Fines and Forfeits:				
Court fines and costs	100	100	67	(33)
Miscellaneous Revenue:				
Investment earnings	500	500	1,025	525
Rentals	20,000	20,000	22,426	2,426
Contributions and donations from private sources	4,000	4,000	2,959	(1,041)
Other	<u>11,500</u>	<u>11,500</u>	<u>31,875</u>	<u>20,375</u>
TOTAL REVENUE	<u>1,227,250</u>	<u>1,263,738</u>	<u>1,370,995</u>	<u>107,257</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	29,900	32,100	30,059	2,041
Contingency	25,000	25,000		
Amount transferred		(7,200)		17,800
Elections	2,200	2,200	15	2,185
Financial administration	67,586	67,586	52,732	14,854
Other	26,065	26,065	19,882	6,183
Public Safety:				
Police	330,400	342,438	341,531	907
Fire	25,525	25,525	39,283	(13,758)
Protective inspection	4,750	4,750	4,537	213
Other protection	1,000	18,450	17,448	1,002
Public Works:				
Highways and streets	389,450	389,450	344,890	44,560
Airport	18,950	18,950	17,052	1,898
Health and Welfare:				
Other	2,000	2,000	2,000	--
Culture and Recreation:				
Recreation	94,025	94,025	84,499	9,526
Parks	32,060	32,060	26,262	5,798
Conservation and Development:				
Urban redevelopment and housing	800	800	59	741
Economic development and assistance	105,000	117,000	109,878	7,122
Debt Service	<u>33,700</u>	<u>251,200</u>	<u>248,053</u>	<u>3,147</u>
TOTAL EXPENDITURES	<u>1,188,411</u>	<u>1,442,399</u>	<u>1,338,180</u>	<u>104,219</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,839</u>	<u>(178,661)</u>	<u>32,815</u>	<u>211,476</u>
OTHER FINANCING SOURCES:				
Transfers in	--	5,202	5,202	--
Compensation for loss or damage to capital assets	<u>--</u>	<u>--</u>	<u>12,429</u>	<u>12,429</u>
TOTAL OTHER FINANCING SOURCES	<u>--</u>	<u>5,202</u>	<u>17,631</u>	<u>12,429</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	38,839	(173,459)	50,446	223,905
FUND BALANCE - BEGINNING	<u>583,535</u>	<u>583,535</u>	<u>583,535</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 622,374</u>	<u>\$ 410,076</u>	<u>\$ 633,981</u>	<u>\$223,905</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 351,500	\$ 351,500	\$ 374,202	\$ 22,702
General sales and use taxes	780,000	780,000	724,249	(55,751)
Amusement taxes	50	50	36	(14)
Penalties and interest on delinquent taxes	500	500	738	238
Licenses and Permits	10,350	10,350	15,335	4,985
Intergovernmental Revenue:				
Federal grants	--	378,515	374,283	(4,232)
State grants	--	35,899	34,988	(911)
State shared revenue:				
Bank franchise tax	4,000	4,000	2,942	(1,058)
Prorate license fees	6,000	6,000	7,331	1,331
Liquor tax reversion (25%)	10,000	10,000	9,714	(286)
Motor vehicles licenses	22,500	22,500	31,875	9,375
Local government highway and bridge fund	45,000	45,000	51,110	6,110
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
County road and bridge tax (25%)	1,000	1,000	--	(1,000)
Other intergovernmental revenues	2,200	2,200	2,702	502
Charges for Goods and Services:				
General government	--	--	74	74
Public safety	500	500	1,495	995
Highways and streets	5,000	5,000	12,815	7,815
Sanitation	250	250	826	576
Health	100	100	25	(75)
Culture and recreation	15,000	15,000	16,538	1,538
Other	--	5,268	5,771	503
Fines and Forfeits:				
Court fines and costs	100	100	47	(53)
Miscellaneous Revenue:				
Investment earnings	500	500	692	192
Rentals	19,000	19,000	20,171	1,171
Contributions and donations from private sources	2,000	7,000	8,880	1,880
Other	<u>14,000</u>	<u>14,000</u>	<u>22,513</u>	<u>8,513</u>
TOTAL REVENUE	<u>1,293,550</u>	<u>1,718,232</u>	<u>1,723,675</u>	<u>5,443</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	30,775	30,775	28,759	2,016
Contingency	25,000	25,000		
Amount transferred		(25,000)		--
Elections	1,350	2,450	2,387	63
Financial administration	77,735	83,035	76,082	6,953
Other	31,450	62,200	61,538	662
Public Safety:				
Police	323,700	331,287	300,580	30,707
Fire	33,975	33,975	21,840	12,135
Protective inspection	5,000	5,000	4,910	90
Other protection	1,000	1,000	465	535
Public Works:				
Highways and streets	524,390	527,911	461,640	66,271
Airport	19,350	445,369	446,103	(734)
Health and Welfare:				
Other	2,000	7,000	2,000	5,000
Culture and Recreation:				
Recreation	111,175	111,175	86,917	24,258
Parks	35,610	35,610	18,332	17,278
Conservation and Development:				
Urban redevelopment and housing	800	800	46	754
Economic development and assistance	132,000	132,000	132,000	--
Debt Service	<u>49,300</u>	<u>49,300</u>	<u>47,831</u>	<u>1,469</u>
TOTAL EXPENDITURES	<u>1,404,610</u>	<u>1,858,887</u>	<u>1,691,430</u>	<u>167,457</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(111,060)</u>	<u>(140,655)</u>	<u>32,245</u>	<u>172,900</u>
OTHER FINANCING SOURCES:				
Transfers in	50,000	50,000	--	(50,000)
Sale of municipal property	90,000	90,000	92,335	2,335
Compensation for loss or damage to capital assets	--	1,444	1,444	--
TOTAL OTHER FINANCING SOURCES	<u>140,000</u>	<u>141,444</u>	<u>93,779</u>	<u>(47,665)</u>
NET CHANGE IN FUND BALANCES	28,940	789	126,024	125,235

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
FUND BALANCE - BEGINNING	<u>457,511</u>	<u>457,511</u>	<u>457,511</u>	--
FUND BALANCE - ENDING	<u>\$ 486,451</u>	<u>\$ 458,300</u>	<u>\$ 583,535</u>	<u>\$125,235</u>

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2017 AND 2016

NOTE 1 - Budgets and Budgetary Accounting

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

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

The City did not encumber any amounts at either December 31, 2016, or December 31, 2017.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2017 AND 2016

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures 2017	Total Federal Expenditures 2016
U.S. DEPARTMENT OF AGRICULTURE:			
Direct programs:			
Water and Waste Disposal Systems for Rural Communities (Note 3)	10.760	\$2,345,371	\$230,926
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,345,371</u>	<u>230,926</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-Through Programs:			
S.D. Department of Transportation:			
Airport Improvement Program	20.106	--	567,620
Highway Safety Cluster:			
Pass-Through Programs:			
S.D. Department of Public Safety:			
State and Community Highway Safety	20.600	<u>7,042</u>	<u>6,143</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>7,042</u>	<u>573,763</u>
U.S. GENERAL SERVICES ADMINISTRATION:			
Pass-Through Programs:			
S.D. Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 4)	39.003	<u>267</u>	<u>157</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION		<u>267</u>	<u>157</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-Through Programs:			
S.D. Department of Public Safety - Office of Emergency Management:			
Homeland Security Grant Program	97.067	<u>17,448</u>	--
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>17,448</u>	--
GRAND TOTAL		<u>\$2,370,128</u>	<u>\$804,846</u>

NOTE 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the two years ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: Major Federal Financial Assistance Program

This represents a Major Federal Finance Assistance Program.

NOTE 4: Federal Surplus Property

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

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2017

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2016</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2017</u>
GOVERNMENTAL LONG-TERM DEBT:				
Revenue bonds	\$ 233,171	\$ --	\$ 233,171	\$ --
Other long-term liabilities	42,398	--	42,398	--
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	7,709,592	3,917,295	1,100,491	10,526,396
Other long-term liabilities	<u>14,185</u>	<u>--</u>	<u>14,185</u>	<u>--</u>
Total	<u>\$7,999,346</u>	<u>\$3,917,295</u>	<u>\$1,390,245</u>	<u>\$10,526,396</u>

NOTE 1: LONG-TERM DEBT

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

Revenue Bonds:

Series 2009 Rural Development Water Project Revenue Bond, due in monthly installments of \$3,038, including 3.5% interest, maturing November 24, 2049. This debt is serviced by the Water Fund. \$ 699,406

Drinking Water Revenue Borrower Bond Series 2016, the City is still borrowing on this debt. They are able to borrow up to \$2,112,000 with up to \$692,000 principal forgiveness. Quarterly installments of \$10,752, beginning April 15, 2018, including 3.0% interest, maturing January 15, 2048. This debt will be serviced by the Water Fund. \$ 848,797

Drinking Water Project Borrower Bond Series 2017, the City is still borrowing on this debt. They are able to borrow up to \$1,099,000. Interest rate is 2.25%. There has been no repayment schedule setup yet since the City is just beginning to borrow on the loan. This debt will be serviced by the Water Fund. \$ 26,495

Series 2010A Taxable Electric Revenue Bonds, interest rate of 1.5 to 7.875% depending on length to maturity of individual bonds, final maturity is December 1, 2040. The City is eligible for 45% of the interest to be refunded from the IRS. Due to the sequester, the subsidies received for 2016 and 2017 were less than the amount requested. It is anticipated that the City will not receive the full amount of the subsidy for 2018. This debt is serviced by the Electric Fund. \$6,430,000

Consolidated Water Facilities Constructed Fund Revenue Bond, due in semi-annual installments of \$6,377, including 3.0% interest, maturing May 1, 2035. This debt is serviced by the Sewer Fund. \$ 72,027

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2017
(Continued)

Sewer Project Revenue Bond Series 2016, the City is still borrowing on this debt. They are able to borrow up to \$4,500,000. Monthly installments of \$13,365, including 1.875% interest, maturing October 27, 2056. This debt is serviced by the Sewer Fund. \$2,407,346

Sewer Revenue Borrower Bond Series 2017, the City is still borrowing on this debt. They are able to borrow up to \$1,875,000. Interest rate is 2.50%, with a maturity date of November 15, 2049. There has been no repayment schedule setup yet since the City is just beginning to borrow on this loan. This debt will be serviced by the Sewer Fund. \$ 42,325

**SCHEDULE OF SUPPLEMENTARY INFORMATION
CITY OF MILLER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)**

SOUTH DAKOTA RETIREMENT SYSTEM

Last 3 Fiscal Years*
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0379779%	0.0377189%	0.0426344%
City's proportionate share of net pension liability (asset)	\$ (3)	\$ 127	\$(181)
City's covered-employee payroll	\$ 702	\$ 658	\$ 715
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.43%)	19.30%	(25.31%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30. Until a full 10-year trend is compiled, the City will present information for those years for which information is available.