

CITY OF ALCESTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2015

**CITY OF ALCESTER
MUNICIPAL OFFICIALS
DECEMBER 31, 2015**

Mayor

Tom Glas

Governing Board

Audri Carlson

Mark Dykstra

Kama Johnson

Lance Johnson

David Larsen

Mike Burke

Finance Officer

Pat Jurrens

Attorney

Charles Haugland

**CITY OF ALCESTER
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QUAM, BERGLIN & POST, P.C.

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Alcester
Union County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcester, South Dakota, as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component unit. These financial statements 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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. Because of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Housing and Redevelopment Commission (HRC) have not been audited, and we were not engaged to audit the HRC financial statements as part of the City's basic financial statements. HRC's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent the assets, net position, and revenues of the City's discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the City of Alcester. Accordingly, we do not express an opinion on those financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Alcester, South Dakota as of December 31, 2015 and the respective changes in financial position, and, where applicable, cash flows for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in the Notes to the Financial Statements, the City of Alcester adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in the Notes to the Financial Statements, the City of Alcester has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis the Pension Schedules and the Budgetary Comparison Schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United

States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, on our consideration of the City of Alcester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alcester's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.
Certified Public Accountants

September 15, 2016

**CITY OF ALCESTER, SOUTH DAKOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

This section of the city of Alcester's annual financial report presents our discussion and analysis of the city's financial performance for the two fiscal years ending December 31, 2015. Please read it in conjunction with the city's financial statements.

Financial Highlights:

January:

- Union County 911 Case Update – Cities pled motion to dismiss due to unfair taxation
- Purchased Solar School Zone Sign, City shares of expense, \$1,574.25
- Purchased new Blade for Skid Steer, \$3,708
- Purchased new Pallet Forks for Skid Steer, \$950
- Purchased new Tires for Skid Steer, \$1,240
- New Computer, Software, KB & Mouse for Wanda, \$856.39
- In 2014 – CDBG Loan granted Union County Health, Dental Office, \$10,000, 2% Int, 7 Year Term

February:

- Plat Change of Hyden Addition Lot C – 1 Lot changed to 3 Lots
- Purchased New Hot/Cold Pressure Washer from Alkota, \$2,800, 2nd Penny Sales Tax
- 2015 Commercial/Residential Garbage Rates passed, effective July 1, 2015
- VISA Credit Card Limit increased from \$3,000 to \$5,000
- Department Head Spending Limit for Unbudgeted items set at \$1,000
- In 2014, Purchased JD Z930R-60" Deck Mower, \$5,225

March:

- Vern Johnson Appointed to HRC Board – Term Expires December 2016
- Nathan Beeler Appointed to HRC Board – Term Expires December 2019
- D&D Garage Door replaced Shop Garage Door Opener - \$755.15
- Quote for Hydraulic Hose Repair to Backhoe from DMI - \$7,963 – Tabled
- Concrete Barriers for Landfill to accept Grass Clippings - Purchase approved
- Grader Rental, 21.5 Hours, Pearson Dirt, \$3,225.00
- Computer Control Screen fails at Sewer Plant – Council Approves Replacement Purchase
- 2014 Annual Report presented to Council for Review
- In 2014, Large Water Leak, Frozen Ground, (Tim Rhead Alley), Repairs, \$12,389

April:

- Purchased Concrete Barriers from GCC & Delivery for Landfill - \$1,950
- Purchased Taser Body Cams for Police Officers with Grant from Foundation - \$810.96
- Chief Knutson was awarded a \$2,200 Grant to upgrade the Radar Systems in the Patrol Cars
- Council approves Baby Pool use Free of Charge
- Health Insurance change from DakotaCare to Sanford 2500 Health Insurance
- First Reading of Ordinance 5.0212 / 5.0212A – Dog Licensing

May:

- Ordinance 5.0212 / 5.0212A Dog Licensing & Penalty for Failure to License Approved
- Mayor Rick Johnson resigns as Mayor
- Dave Larsen elected Council President
- Kama Johnson elected Council Vice President
- Audri Carlson appointment, representing Ward I for One Year Term – Expire May 2016
- Dave Larsen, 3 Year term on Council – Expires May 2018

Lance Johnson & Mark Dykstra – Terms Expired – on Council until Vacancy filled
Old Radar unit declared Surplus Property and transferred to another Agency
New Radar Unit Purchased, \$2,574.50, Applied Concepts, 80/20 Grant
Court Street Repair, 58.85 Tons Crushed Quartzite, \$1,244.16, LG Everist
Ordinance 7.0214 – One Way Streets & Alleys, Ordinance 7.0215 Obedience, First Reading
Ordinance 2015-3 – Adopting Property Maintenance Code – First Reading
Well Pump Motor & Bearings repaired at Golf Course (Irrigation System) – \$1,529
Ordinance 2015-3 Ordinance Adopting Property Maintenance Code – Adding Chapter 9.02
Adopted Taser Axon Camera Policy - Section 3.36 in Police Policy Manual
Adopted Firearms Policy – Section 3.14 in Police Policy Manual
Scott Metzler hired as Golf Course Grounds Consultant at \$150 per week

June:

Tom Glas appointed as Mayor – One Year Term
SDDOT hosted meeting at Audi regarding Highway 11/Highway 46 Interchange
Randy Schoellerman hired to survey Fair Grounds for Lot Lines - \$600
Structural Engineering hired to examine Alcester Community Building
Audri Carlson appointed Chairperson for Community Building Remodeling Committee
Union County Health granted Tax Abatement for Dental Clinic Building
Ordinance 7.0214 – One Way Street – Adopted
Golf Course Bridge Replacement tabled as Private Donor will rebuild in 2016
Overpayment of Landfill fees discussed – resolution in future
In 2014, Purchased Skid Loader, \$12,000
In 2014, Purchased Street Patching Machine, \$16,525 2nd Penny Funds,
In 2014, increased water rates from \$5.10 / 1,000 Gallons to \$5.45 / 1,000 Gallons

July:

HRC Beck Drive Bond Signed, Resolution 2015-04 Adopted
LP Gill will issue monthly credit for Landfill Fees until \$24,494.13 credit is zero
Mid-American Annual Renew of Gas Service Agreement – Mark Reinders
Mark Dykstra appointed to a One Year Term on Council
Lance Johnson appointed to a One Year Term on Council
Paving of W 3rd St, Daryl Stevenson, \$6,500, General Fund
Paving of Custom Coils Alley, Daryl Stevenson, \$5,500 – General Fund, Reimbursed by Custom Coils for half (\$2,750)
City donated \$800 to Summer Rec Program
City purchased a De-Chlorinator to flush hydrants - \$1,250

August:

Clean & Scope Sewer Lines, Park Street, Waterman Backhoe, \$1,784.19
Ordinance 2015-05, Grant Mid-American Annual Franchise Agreement, First Reading
CDBG Loan Granted, Teri Metcalf, Alcester Tire & Service, \$15,000/2%/7 Year Term
Purchased Riprap for Shop Ditch, \$709.93, LG Everist
Street Lines & Handicap Markers Repainted on 2nd Street
Pies Construction awarded curb repair job for 4th & Broad Street and Iowa Street, \$6,119
Fire Hydrants painted by City Employees & Council Members
Fair Board Council Representative, Mark Dykstra, Spring 2016
Beck Drive Street Construction Complete
2015 Patching Expense: \$2,887.81
In 2014, Alcester Union Newspaper Publisher, Paul Buum, passes away

September:

Fire Hydrants 17/52 Flushed in September
Ordinance 2015-05, Mid-American Annual Franchise Agreement, Adopted
Dimmick Subdivision Plat Approved
Annexation of Lot D – SECOG to conduct study on property
Competitive Edge Police Recording Software, \$800.00
Police Department Grant Approved for 3 New Vests, \$ 881.02
Irrigation Pump Motor Repair, Lone Star Enterprises, \$1,062.83
Sewer Repair work for Women’s Restroom at Golf Clubhouse, \$2,628.07
Honey-Do Construction replaced vinyl windows in Ballfield Restrooms, \$323.20
2016 Budget Approved
City approved Town House Apartments increasing Parking Lot along Church Street
Resolution Change – Towing Charges set plus \$25 per week with Max hold time 60 days
Ordinance 2015-06 Chapter 10.3 Establishing Discretionary Tax Formula, First Reading
In 2014, Paving of Lee Drive, \$6,500, 2nd Penny Funds
In 2014, Auditorium Entry Painted & Repaired, \$1,950

October:

In 2014, Repaired Filter House Roof & Wind Vents, \$1,343
In 2014, AGA sold to Farmer’s Coop Society
In 2014, Knology Cable TV Ordinance 2014-3 Adopted
FCS declines Friendly Annexation – SECOG contacted to conduct Annexation Study
Police Chief Ryan Knutson resigned as Patrolling Chief
Police Chief Ryan Knutson hired at \$18 per hour for Administrative Duties only
Rear Axle Repaired on 2011 Patrol Car, \$2,389.56
New Tires for 2011 Patrol Car, \$619.76
Purchased MTD Gold Lawn Mower for Golf Course, \$700, 2nd Penny Sales Tax
Dave Larsen compensated \$3,810 for Work done at Golf Course
Ordinance 2015-06 Chapter 10.3 Establishing a Discretionary Taxing Formula, Adopted
Audi Gym Floor Waxed at No Charge to City, MARC Representative
Fair Grounds Road (East Clark Street) built up for increased FCS Semi Traffic, \$13,895.32
 Gravel: \$ 1,212.30
 Dirt Work: \$ 7,563.30
 Rock: \$ 4,044.53
 Misc: \$ 1,075.19

November:

Toby Brown presents Annexation Study for City of Alcester
East Clark Street gets Road Signs, Stop Sign on East End, and Yield Sign on West End
Anderson Dr, Beck Dr, Yield Signs, \$145.27, Lyle Signs
Replaced Dirt Shoes for Sweeper, \$1,086.48, Sanitation Products
Honey-Do Repairs installed new door on Sewer Plant, \$136.86
Emily Minor hired as Audi Custodian, \$10.50 per hour
Mayor Tom Glas signed SRTS (34) PCN 04NR Final Agreement
2016 HRC Officers
 President: Kama Johnson, Vice President: Vern Johnson
 Secretary/Treasurer: Jared Driesen, Tenant Relations Director: Nathan Beeler
In 2014, Keg Cooler purchased for Alcester Bar, \$3,300
In 2014, Paid Quam & Berglin, \$9,000, 2012/2013 Audit
In 2014, Granted CDBG Loan to Home Away from Home Daycare, \$10,000, 2%, 7 Years
In 2014, Granted CDBG Loan to Alcester Food Pantry, \$10,000, 2%, 15 Years

December:

Ordinance 2015-07, East Clark Street & West Clark Street Named, First Reading
Council approves Lot D to be included in Annexation Study
Resolution of Intent to Annex hearing date set, January 4, 2016 at 6:15 PM
Rebuild Forks on Ford Gravel Truck, \$562.67, Hudson Repair
Council approves 2016 Salaries
Council approves Resolution for 2016 Fees
Sewer Plant new computer screen purchased, DSI, \$9,177
Council approves transferring \$9,177 from Wastewater Reserve to Checking for Screen
Council approves transferring AT&T bill from City to Alcester Ambulance then paying Alcester Ambulance annual donation
Council approves Supplemental Budget for 2015
Dave Larsen appointed to serve on Library Board for 3 Year Term
Ordinance 2015-07, East Clark Street & West Clark Street Named, Approved
Council approves Margaret Gillespie as City Commissioner for SVRRA

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements and (3) required supplementary information. The basic financial statements include two kinds of statements that present the City from two different financial points of view.

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

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

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

Figure A-2

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

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The City has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position changes between fiscal years 2013 and 2015 (See Table A-1).

Table A-1
Statement of Net Position

	Governmental Activities December 31,			Business type Activities December 31,		
	2015	2014	2013	2015	2014	2013
Current and Other Assets	\$ 365,694	\$ 239,608	\$ 221,162	\$ 366,693	\$ 337,042	\$ 346,136
Capital Assets	442,624	479,225	466,111	1,791,426	1,865,556	1,940,273
Total Assets	808,318	718,833	687,273	2,158,119	2,202,598	2,286,409
Deferred Outflows of Resources						
Pension Related	105,690					
Total Deferred Outflows of Resources	105,690					
Long-Term Liabilities	221,287	272,051	277,163	496,646	517,261	536,916
Other Liabilities	13,737	5,549	48,574	13,577	21,150	12,819
Total Liabilities	235,024	277,600	325,737	510,223	538,411	549,735
Deferred Inflows of Resources						
Pension Related	93,288					
Total Deferred Inflows of Resources	93,288					
Net Position						
Net Investment in Capital Assets	221,338	207,173	140,374	1,294,780	1,403,357	1,403,357
Restricted	236,464	161,726	164,928	93,710	93,710	95,524
Unrestricted	127,895	72,334	56,234	259,406	167,120	237,793
Total Net Position	\$ 585,697	\$ 441,233	\$ 361,536	\$ 1,647,896	\$ 1,664,187	\$ 1,736,674
	Total Activities December 31,			Total Change December 31, 2013-2015		
	2015	2014	2013			
Current and Other Assets	\$ 732,387	\$ 576,650	\$ 567,298	\$ 165,089	29.10%	
Capital Assets	2,234,050	2,344,781	2,406,384	(172,334)	-7.16%	
Total Assets	2,966,437	2,921,431	2,973,682	(7,245)	-0.24%	
Deferred Outflows of Resources						
Pension Related	105,690			105,690	100.00%	
Total Deferred Outflows of Resources	105,690			105,690	100.00%	
Long-Term Liabilities	717,933	789,312	814,079	96,146	11.81%	
Other Liabilities	27,314	26,699	61,393	34,079	55.51%	
Total Liabilities	745,247	816,011	875,472	130,225	14.87%	
Deferred Inflows of Resources						
Pension Related	93,288			93,288	100.00%	
Total Deferred Inflows of Resources	93,288			93,288	100.00%	
Net Position						
Net Investment in Capital Assets	1,516,118	1,610,530	1,543,731	27,613	1.79%	
Restricted	330,174	255,436	260,452	(69,722)	-26.77%	
Unrestricted	387,301	239,454	294,027	(93,274)	-31.72%	
Total Net Position	\$ 2,233,593	\$ 2,105,420	\$ 2,098,210	\$ (135,383)	-6.45%	

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of sales tax revenue bonds payable and utility revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City’s assets and liabilities is its net position.

The City’s net position reflect its net investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

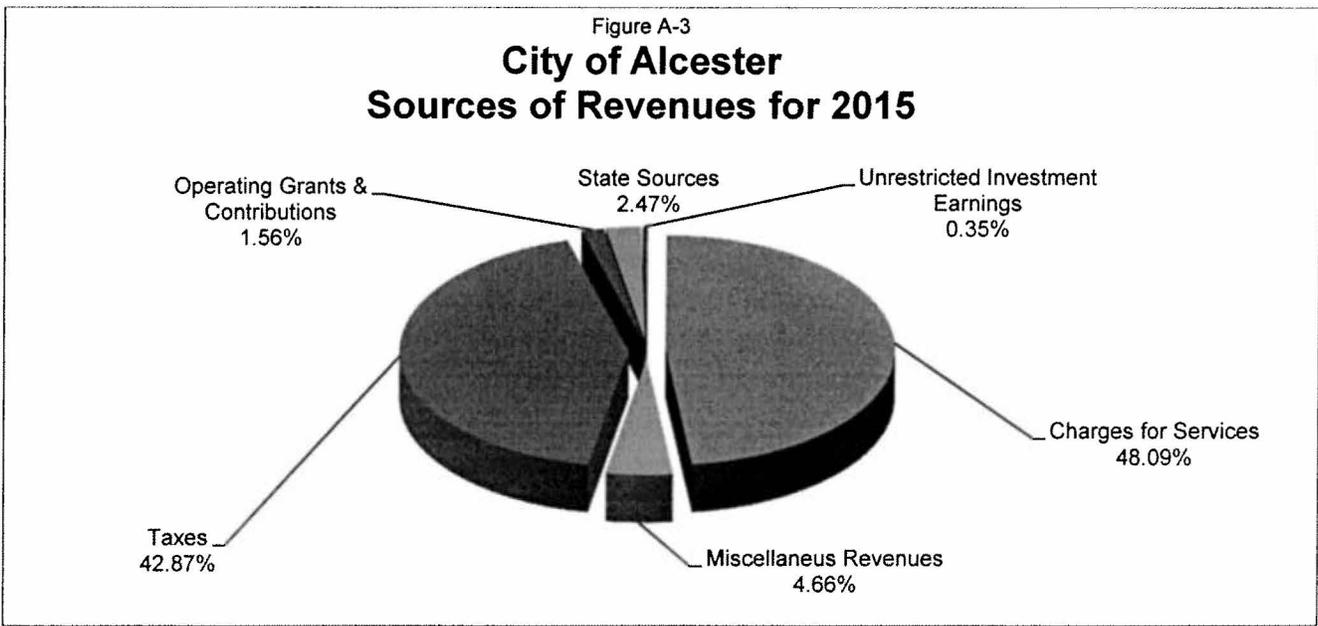
The City’s restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants.

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

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

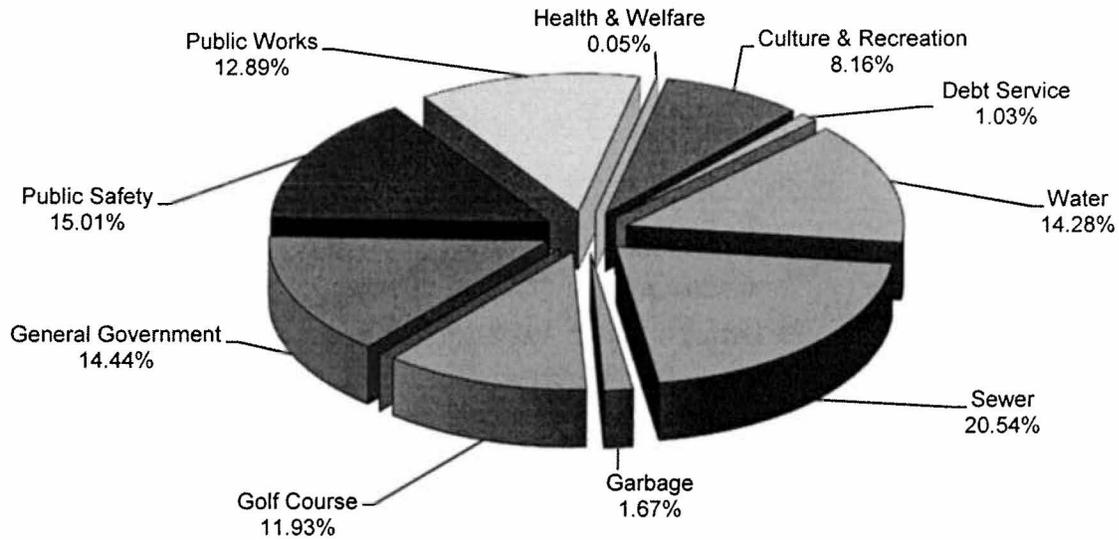
CHANGES IN NET POSITION

The City of Alcester’s total revenues for 2015 (excluding special items) totaled \$1,037,160. (See Table A-2.) Well over half of the City of Alcester’s revenue comes from charges for services and taxes; with 48 cents of every dollar raised coming from charges for services and 43 cents of every dollar raised comes from some type of tax. (See Figure A-3). Another 9 cents come from unrestricted investment earnings, state shared revenue and miscellaneous.



The City of Alcester 2015 expenses cover a range of services with 14% from water services and 21% from sewer services, 2% from the garbage and 12% from golf course. The cost of Public Safety was 15% and Public Works was 13%. Culture and Recreation costs were 8%. General Government costs were 14% and debt service was 1%. (See Figure A-4)

Figure A-4
City of Alcester
Functional Expenses for 2015



Governmental Activities

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

Total revenues for the City increased by \$32,196 from 2014 to 2015 mostly due to taxes and contributions revenue. The expenses increased by \$26,764 from 2014 to 2015 mostly due to an increase in public safety and public works.

Table A-2
Changes in Net Position

	Governmental Activities			Business type Activities			Total Activities			Total Change	
	December 31,			December 31,			December 31,			December 31,	
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2013-2015	
Program Revenue:											
Charges for Service	\$ 41,423	\$ 11,844	\$ 28,462	\$ 457,362	\$ 444,019	\$ 454,879	\$ 498,785	\$ 455,863	\$ 483,341	\$ 15,444	3%
Operating Grants and Contributions	16,149	17,142	9,399				16,149	17,142	9,399	6,750	72%
General Revenues:											
Taxes	444,626	439,997	410,059				444,626	439,997	410,059	34,567	8%
Revenue State Sources	25,661	22,816	22,159				25,661	22,816	22,159	3,502	16%
Unrestricted Investment											
Earnings	3,470	3,585	3,580	143	246	214	3,613	3,831	3,794	(181)	-5%
Miscellaneous	48,326	52,075	25,599			(5,507)	48,326	52,075	20,092	28,234	141%
Total Revenues	579,655	547,459	499,258	457,505	444,265	449,586	1,037,160	991,724	948,844	88,316	9%
Expenses:											
General Government	140,504	170,398	135,637				140,504	170,398	135,637	4,867	4%
Public Safety	146,077	109,965	137,432				146,077	109,965	137,432	8,645	6%
Public Works	125,411	98,871	97,781				125,411	98,871	97,781	27,630	28%
Health & Welfare	458	331	361				458	331	361	97	27%
Culture & Recreation	79,375	80,930	87,490				79,375	80,930	87,490	(8,115)	-9%
Debt Service	10,051	14,617	14,172				10,051	14,617	14,172	(4,121)	-29%
Water				138,988	180,434	189,578	138,988	180,434	189,578	(50,590)	-27%
Sewer				199,906	194,604	204,529	199,906	194,604	204,529	(4,623)	-2%
Garbage				16,250	27,660	26,665	16,250	27,660	26,665	(10,415)	-39%
Golf Course				116,054	106,704	141,483	116,054	106,704	141,483	(25,429)	-18%
Total Expenses	501,876	475,112	472,873	471,198	509,402	562,255	973,074	984,514	1,035,128	(62,054)	-6%
Excess (Deficiency) before											
Extraordinary Items and Transfers	77,779	72,347	26,385	(13,693)	(65,137)	(112,669)	64,086	7,210	(86,284)		
Transfers	2,598	7,350	(3,800)	(2,598)	(7,350)	3,800					
Extraordinary Items			(30,000)						(30,000)		
Change in Net Position	80,377	79,697	(7,415)	(16,291)	(72,487)	(108,869)	64,086	7,210	(116,284)		
Net Position Beginning	441,233	361,536	368,951	1,664,187	1,736,674	1,845,543	2,105,420	2,098,210	2,214,494	7,210	0%
Prior Period Adjustment	64,087						64,087				
Net Position Ending	\$ 585,697	\$ 441,233	\$ 361,536	\$ 1,647,896	\$ 1,664,187	\$ 1,736,674	\$ 2,233,593	\$ 2,105,420	\$ 2,098,210	135,383	6%

Business-type Activities

Revenues of the City’s business-type activities increased by \$13,240 and expenses decreased by \$38,204 from 2014 to 2015 for all business-type activities. The factors contributing to these results included:

- The City was overcharged for Solid Waste Landfill Fees by \$24,494.13 to be refunded back to the City on a monthly basis until credit is zero, starting July 2015
- June 2014, increased water rates from \$5.10/1,000 Gallons to \$5.45/1,000 Gallons
- Alcester Area Chamber of Commerce has become very active by hosting ten major events; which bring people to town, encourage shopping which has increased sales tax revenue
- In 2014 the City experienced a large water leak repair in February (\$12,389)
- In August 2014 Mike Kezar retired as Finance Officer, Patricia Jurens was hired as FO in July and Mike trained her July & August – 2 FO’s on Staff
- In 2014 the City paid \$11,432 to seal coat selected streets; a Road Patcher was purchased and now this job is done in-house rather than hire out

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

The financial analysis of the City’s funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains four governmental funds (three major and one non-major) - General, CDBG Special Revenue, 2nd Cent Sales Tax, and the Library Special Revenue. The City maintains four business type funds –Water, Sewer, Garbage, and Golf Course.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget. The City passes Supplemental Appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

CAPITAL ASSET ADMINISTRATION

By the end of 2015, the City had \$2,014,488 in a broad range of capital assets, including, land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$111,010 – more than 4% decrease, over the last year.

Table A-3
Capital Assets
(Net of depreciation)

	Governmental Activities			Business-Type Activities			Total Dollar	Total %
	2015	2014	2013	2015	2014	2013	Change	Change
Land	\$ 50,150	\$ 50,150	\$ 50,150	\$ 50,396	\$ 50,396	\$ 50,396	\$	0.00%
Buildings	79,528	84,411	89,294	40,131	42,639	45,181	(14,816)	-11.66%
Improv Other Than Buildings	216,661	234,602	252,542	1,644,439	1,702,209	1,759,887	(151,329)	-7.81%
Machinery & Equipment	96,285	110,062	74,125	56,460	70,312	84,808	(6,188)	-3.43%
Total Capital Assets (net)	<u>\$442,624</u>	<u>\$479,225</u>	<u>\$466,111</u>	<u>\$1,791,426</u>	<u>\$1,865,556</u>	<u>\$1,940,272</u>	<u>\$ (172,333)</u>	<u>-7.35%</u>

The ‘financial highlights’ previously mentioned on page 3 states asset additions.

LONG-TERM DEBT

At the end of the year the City had a total of \$717,934 in Sales Tax Revenue Bonds, Water Revenue Bonds and Sewer Revenue Bonds. This is a decrease of just over 9% from the previous year.

Table A-4
Outstanding Debt and Obligations
(Net of depreciation)

	Governmental Activities			Business-Type Activities			Total Dollar	Total %
	2015	2014	2013	2015	2014	2013	Change	Change
							2013-2015	2013-2015
Sales Tax Revenue bonds	\$ 221,287	\$ 272,052	\$ 325,737				\$ (104,450)	-38.39%
Water Revenue bonds				\$ 109,120	\$ 122,616	\$ 135,466	(26,346.00)	-21.49%
Sewer Revenue bonds				387,527	394,645	413,683	(26,156.00)	-6.63%
Total Outstanding Debt & Obligations	\$ 221,287	\$ 272,052	\$ 325,737	\$ 496,647	\$ 517,261	\$ 549,149	\$ (156,952)	-19.88%

The City has outstanding \$24,759 in Sales Tax Revenue Bonds, Series 2006 for the reconstruction of Lincoln Drive and a liner for the pool. The City has outstanding \$58,808 in Sales Tax Revenue Bonds, Series 2009 for the Lee Drive Street Project. The City has outstanding \$109,459 in Sales Tax Revenue Bonds, Series 2011 used to acquire the golf course. The bonds are secured and paid for from the 2nd Cent Fund.

The City has outstanding \$33,534 in Water Revenue Bonds, Series 1980 for the water tower and \$51,141 Series 1987 in Water Revenue Bonds for the hookup to South Lincoln Rural Water. The City has outstanding \$380,131 in Sewer Revenue Bonds, Series 2002 for the updating of the sewer plant. These bonds are secured and paid from the Water and Sewer funds, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Alcester needs to look at street improvements, curb & gutter replacement, a new community center, an industrial park, and finishing streets in the new addition. The development of connecting sidewalks for a Safe Route to School will come from a Federal Grant. Funding for these Capital Improvements will come from the second penny sales tax.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Alcester's business office at P.O. Box 318, Alcester, SD 57001.

**CITY OF ALCESTER
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Unaudited Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing & Redevelopment
ASSETS:				
Cash and Cash Equivalents	\$ 220,565.66	\$ 244,611.38	\$ 465,177.04	\$ 36,694.60
Taxes Receivable	5,590.10		5,590.10	
Utilities Receivable, Net		28,230.93	28,230.93	
Due From Other Government	7,912.95		7,912.95	
Notes Receivable - Current	9,254.02		9,254.02	
Investments	25,834.58		25,834.58	176,656.19
Restricted Assets:				
Cash and Cash Equivalents		93,850.99	93,850.99	
Net Pension Asset	61,096.99		61,096.99	
Noncurrent Assets:				
Notes Receivable	35,439.87		35,439.87	
Capital Assets:				
Land	50,150.00	50,396.00	100,546.00	
Other Capital Assets, Net of Depreciation	<u>392,474.30</u>	<u>1,741,030.00</u>	<u>2,133,504.30</u>	<u>408,999.16</u>
TOTAL ASSETS	<u>808,318.47</u>	<u>2,158,119.30</u>	<u>2,966,437.77</u>	<u>622,349.95</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	<u>105,690.29</u>		<u>105,690.29</u>	
LIABILITIES :				
Accounts Payable	9,387.29		9,387.29	
Customer Deposits		13,576.89	13,576.89	
Unearned Revenue	4,350.00		4,350.00	
Noncurrent Liabilities:				
Due Within One Year	53,212.60	21,619.81	74,832.41	
Due in More than One Year	<u>168,074.08</u>	<u>475,026.61</u>	<u>643,100.69</u>	<u>675,437.64</u>
TOTAL LIABILITIES	<u>235,023.97</u>	<u>510,223.31</u>	<u>745,247.28</u>	<u>675,437.64</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	<u>93,288.20</u>		<u>93,288.20</u>	
NET POSITION:				
Net Investment in Capital Assets	221,337.62	1,294,779.58	1,516,117.20	
Restricted for:				
Debt Service		93,710.34	93,710.34	
Community Development	130,947.11		130,947.11	
Library Operations	32,018.19		32,018.19	
SDRS Pension Purposes	73,499.08		73,499.08	
HRC Purposes				(53,087.69)
Unrestricted	<u>127,894.59</u>	<u>259,406.07</u>	<u>387,300.66</u>	
TOTAL NET POSITION	<u>\$ 585,696.59</u>	<u>\$ 1,647,895.99</u>	<u>\$ 2,233,592.58</u>	<u>\$ (53,087.69)</u>

**CITY OF ALCESTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit Housing & Redevelopment
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government		
					Business-Type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 140,504.42	\$ 10,778.78	\$	\$ (129,725.64)	\$	\$ (129,725.64)	
Public Safety	146,077.14	1,695.83	2,940.62	(141,440.69)		(141,440.69)	
Public Works	125,410.60			(125,410.60)		(125,410.60)	
Health and Welfare	458.20			(458.20)		(458.20)	
Culture & Recreation	79,374.48	7,728.06	13,208.59	(58,437.83)		(58,437.83)	
Miscellaneous		21,220.50		21,220.50		21,220.50	
*Interest on Long-term Debt	10,051.13			(10,051.13)		(10,051.13)	
Total Governmental Activities	<u>501,875.97</u>	<u>41,423.17</u>	<u>16,149.21</u>	<u>(444,303.59)</u>		<u>(444,303.59)</u>	
Business-type Activities:							
Water	138,987.76	184,437.50			45,449.74	45,449.74	
Sewer	199,906.37	149,793.12			(50,113.25)	(50,113.25)	
Garbage	16,250.37	35,794.03			19,543.66	19,543.66	
Golf Course	116,054.45	87,337.89			(28,716.56)	(28,716.56)	
Total Business-type Activities	<u>471,198.95</u>	<u>457,362.54</u>			<u>(13,836.41)</u>	<u>(13,836.41)</u>	
Total Primary Government	<u>\$ 973,074.92</u>	<u>\$ 498,785.71</u>	<u>\$ 16,149.21</u>	<u>(444,303.59)</u>	<u>(13,836.41)</u>	<u>(458,140.00)</u>	
Component Unit:							
Housing and Redevelopment	<u>\$ 45,084.13</u>	<u>\$ 33,261.36</u>					<u>\$ (11,822.77)</u>
General Revenues:							
Taxes:							
Property Taxes				249,068.85		249,068.85	
Sales and Use Taxes				195,557.19		195,557.19	
State Shared Revenues				25,660.90		25,660.90	
Unrestricted Investment Earnings				3,470.03	143.66	3,613.69	399.23
Miscellaneous Revenue				48,325.59		48,325.59	
Transfers In (Out)				<u>2,598.00</u>	<u>(2,598.00)</u>		
Total General Revenues and Transfers				<u>524,680.56</u>	<u>(2,454.34)</u>	<u>522,226.22</u>	<u>399.23</u>
Change in Net Position				<u>80,376.97</u>	<u>(16,290.75)</u>	<u>64,086.22</u>	<u>(11,423.54)</u>
Net Position - Beginning				441,233.11	1,664,186.74	2,105,419.85	(41,664.15)
Prior Period Adjustment				<u>64,086.51</u>		<u>64,086.51</u>	
Adjusted Net Position - Beginning				<u>505,319.62</u>	<u>1,664,186.74</u>	<u>2,169,506.36</u>	<u>(41,664.15)</u>
NET POSITION - ENDING				<u>\$ 585,696.59</u>	<u>\$ 1,647,895.99</u>	<u>\$ 2,233,592.58</u>	<u>\$ (53,087.69)</u>

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

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Unaudited Component Unit Housing & Redevelopment
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 170,397.95	\$ 315.69	\$	\$ (170,082.26)	\$	\$ (170,082.26)	
Public Safety	109,965.29	1,945.70	4,814.00	(103,205.59)		(103,205.59)	
Public Works	98,870.61			(98,870.61)		(98,870.61)	
Health and Welfare	330.64			(330.64)		(330.64)	
Culture & Recreation	80,930.12	6,449.79	12,328.40	(62,151.93)		(62,151.93)	
Miscellaneous		17,532.50		17,532.50		17,532.50	
*Interest on Long-term Debt	14,617.09			(14,617.09)		(14,617.09)	
Total Governmental Activities	475,111.70	26,243.68	17,142.40	(431,725.62)		(431,725.62)	
Business-type Activities:							
Water	180,433.88	190,092.97			9,659.09	9,659.09	
Sewer	194,603.58	152,573.19			(42,030.39)	(42,030.39)	
Garbage	27,660.02	30,802.46			3,142.44	3,142.44	
Golf Course	106,703.87	70,550.03			(36,153.84)	(36,153.84)	
Total Business-type Activities	509,401.35	444,018.65			(65,382.70)	(65,382.70)	
Total Primary Government	\$ 984,513.05	\$ 470,262.33	\$ 17,142.40	(431,725.62)	(65,382.70)	(497,108.32)	
Component Unit:							
Housing and Redevelopment	\$ 57,003.99	\$ 31,260.18					\$ (25,743.81)
General Revenues:							
Taxes:							
Property Taxes				251,614.33		251,614.33	
Sales and Use Taxes				188,382.39		188,382.39	
State Shared Revenues				22,815.51		22,815.51	
Unrestricted Investment Earnings				3,584.99	245.69	3,830.68	1,999.02
Miscellaneous Revenue				37,675.36		37,675.36	
Transfers In (Out)				7,350.00	(7,350.00)		
Total General Revenues and Transfers				511,422.58	(7,104.31)	504,318.27	1,999.02
Change in Net Position				79,696.96	(72,487.01)	7,209.95	(23,744.79)
Net Position - Beginning				361,536.15	1,736,673.75	2,098,209.90	(17,918.36)
NET POSITION - ENDING				\$ 441,233.11	\$ 1,664,186.74	\$ 2,105,419.85	\$ (41,663.15)

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

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>Major Funds</u>			<u>Nonmajor</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>CDBG Special Revenue Fund</u>	<u>2nd Cent Fund</u>	<u>Library Special Revenue Fund</u>	
ASSETS:					
Cash and Cash Equivalents	\$ 22,178.73	\$ 71,253.22	\$ 120,950.10	\$ 6,183.61	\$ 220,565.66
Taxes Receivable - Delinquent	5,590.10				5,590.10
Due From Government	7,912.95				7,912.95
Notes Receivable - Current		9,254.02			9,254.02
Notes Receivable - Noncurrent		35,439.87			35,439.87
Advance to General Fund		15,000.00			15,000.00
Investments				25,834.58	25,834.58
TOTAL ASSETS	<u>35,681.78</u>	<u>130,947.11</u>	<u>120,950.10</u>	<u>32,018.19</u>	<u>319,597.18</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	9,387.29				9,387.29
Unearned Revenue	4,350.00				4,350.00
Advance From CDBG Fund	15,000.00				15,000.00
Total Liabilities	<u>28,737.29</u>				<u>28,737.29</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	5,590.10				5,590.10
Total Deferred Inflows of Resources	<u>5,590.10</u>				<u>5,590.10</u>
Fund Balances:					
Nonspendable					
Restricted		130,947.11		32,018.19	162,965.30
Committed			120,950.10		120,950.10
Unassigned	1,354.39				1,354.39
Total Fund Balances	<u>1,354.39</u>	<u>130,947.11</u>	<u>120,950.10</u>	<u>32,018.19</u>	<u>285,269.79</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 35,681.78</u>	<u>\$ 130,947.11</u>	<u>\$ 120,950.10</u>	<u>\$ 32,018.19</u>	<u>\$ 319,597.18</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

Total Fund Balances - Governmental Funds \$ 285,269.79

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	Cost of Capital Assets	\$ 1,110,556.52	
	Accumulated Depreciation	<u>(667,932.22)</u>	442,624.30

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(221,286.68)

Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred), are not available to pay for current period expenditures and therefore are unavailable in the funds.

5,590.10

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds

73,499.08

Net Position - Governmental Funds \$ 585,696.59

The attached notes are an integral part of these financial statements

CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Library Special Revenue Fund	
Revenues:					
Taxes:					
General Property Taxes	\$ 251,134.74	\$	\$	\$	\$ 251,134.74
General Sales and Use Taxes	97,341.99		98,215.20		195,557.19
Amusement Taxes	168.00				168.00
Licenses and Permits	6,460.50				6,460.50
Intergovernmental Revenue:					
Federal Grants - Police	2,940.62				2,940.62
State Shared Revenue:					
Bank Franchise Tax	1,664.15				1,664.15
Liquor Tax Reversion	5,018.19				5,018.19
Motor Vehicle Licenses (5%)	10,369.45				10,369.45
Local Government Highway and Bridge Fund	7,257.34				7,257.34
Other	1,351.77				1,351.77
County Shared Revenue:					
County Road Tax	3,051.62				3,051.62
Charges for Goods and Services:					
General Government	753.60				753.60
Public Safety	164.00				164.00
Culture and Recreation	7,728.06				7,728.06
Fines and Forfeits:					
Court Fines and Costs	1,531.83				1,531.83
Miscellaneous Revenue:					
Investment Earnings	2,272.72	995.63		201.68	3,470.03
Rental	14,760.00				14,760.00
Contribution and Donation from Private Sources	11,645.24			1,563.35	13,208.59
Other	45,181.77				45,181.77
Total Revenue	<u>470,795.59</u>	<u>995.63</u>	<u>98,215.20</u>	<u>1,765.03</u>	<u>571,771.45</u>
Expenditures:					
General Government:					
Legislative	29,025.73				29,025.73
Executive - Mayor	1,700.87				1,700.87
Elections	32.39				32.39
Financial Administration	92,047.59				92,047.59
Other	9,402.25		2,800.00		12,202.25
Total General Government	<u>132,208.83</u>		<u>2,800.00</u>		<u>135,008.83</u>

CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Library Special Revenue Fund	
Public Safety:					
Police	110,839.08				110,839.08
Fire	16,500.00				16,500.00
Other Protection	797.30				797.30
Total Public Safety	<u>128,136.38</u>				<u>128,136.38</u>
Public Works:					
Highways and Streets	106,134.92				106,134.92
Total Public Works	<u>106,134.92</u>				<u>106,134.92</u>
Health and Welfare:					
Ambulance	458.20				458.20
Total Health and Welfare	<u>458.20</u>				<u>458.20</u>
Culture and Recreation:					
Recreation	31,674.98				31,674.98
Parks	12,048.34				12,048.34
Golf Course			700.00		700.00
Libraries	16,149.82			1,521.74	17,671.56
Auditorium	15,449.10				15,449.10
Liquor Store	208.61				208.61
Total Culture and Recreation	<u>75,530.85</u>		<u>700.00</u>	<u>1,521.74</u>	<u>77,752.59</u>
Debt Service			60,816.02		60,816.02
Capital Outlay	7,121.04				7,121.04
Total Expenditures	<u>449,590.22</u>		<u>64,316.02</u>	<u>1,521.74</u>	<u>515,427.98</u>
Excess of Revenue Over (Under)					
Expenditures	21,205.37	995.63	33,899.18	243.29	56,343.47
Other Financing Sources (Uses):					
Sale of Municipal Property	92.20				92.20
Transfers In	2,598.00				2,598.00
Total Other Financing Sources (Uses)	<u>2,690.20</u>				<u>2,690.20</u>
Net Change in Fund Balances	23,895.57	995.63	33,899.18	243.29	59,033.67
Fund Balance - Beginning	<u>(22,541.18)</u>	<u>129,951.48</u>	<u>87,050.92</u>	<u>31,774.90</u>	<u>226,236.12</u>
FUND BALANCE - ENDING	<u>\$ 1,354.39</u>	<u>\$ 130,947.11</u>	<u>\$ 120,950.10</u>	<u>\$ 32,018.19</u>	<u>\$ 285,269.79</u>

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 59,033.67

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays.

Investment in Capital Assets	\$ 7,121.04	
Depreciation Expense	<u>(43,721.31)</u>	(36,600.27)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Revenue Bonds	50,764.89
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Governmental funds report property taxes as revenue when cash is received, but the Statement of Activities includes the property taxes as revenue when earned. (2,233.89)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. 9,412.57

Change in Net Position of Governmental Activities	<u>\$ 80,376.97</u>
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The attached notes are an integral part of these financial statements

**CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Library Special Revenue Fund	
Revenues:					
Taxes:					
General Property Taxes	\$246,553.31	\$	\$	\$	\$ 246,553.31
General Sales and Use Taxes	96,492.48		91,889.91		188,382.39
Amusement Taxes					
Licenses and Permits	2,822.50				2,822.50
Intergovernmental Revenue:					
Federal Grants - Police	4,814.00				4,814.00
State Shared Revenue:					
Bank Franchise Tax	1,367.57				1,367.57
Liquor Tax Reversion	4,267.94				4,267.94
Motor Vehicle Licenses (5%)	8,725.47				8,725.47
Local Government Highway and Bridge Fund	6,356.16				6,356.16
Other	2,098.37				2,098.37
County Shared Revenue:					
County Road Tax	3,558.87				3,558.87
Charges for Goods and Services:					
General Government	315.69				315.69
Public Safety	190.00				190.00
Culture and Recreation	6,449.79				6,449.79
Fines and Forfeits:					
Court Fines and Costs	1,755.70				1,755.70
Miscellaneous Revenue:					
Investment Earnings	2,154.40	1,221.24		209.35	3,584.99
Rental	14,710.00				14,710.00
Contribution and Donation from Private Sources	11,517.00			811.40	12,328.40
Other	31,730.49				31,730.49
Total Revenue	<u>445,879.74</u>	<u>1,221.24</u>	<u>91,889.91</u>	<u>1,020.75</u>	<u>540,011.64</u>
Expenditures:					
General Government:					
Legislative	44,921.63				44,921.63
Executive - Mayor	1,615.48				1,615.48
Elections	75.51				75.51
Financial Administration	80,322.50				80,322.50
Other	8,256.32				8,256.32
Total General Government	<u>135,191.44</u>				<u>135,191.44</u>

CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	CDBG Special Revenue Fund	2nd Cent Fund	Library Special Revenue Fund	
Public Safety:					
Police	87,989.33				87,989.33
Fire	16,500.00				16,500.00
Other Protection	781.76				781.76
Total Public Safety	<u>105,271.09</u>				<u>105,271.09</u>
Public Works:					
Highways and Streets	68,044.61		17,931.80		85,976.41
Water	8,200.00				8,200.00
Total Public Works	<u>76,244.61</u>		<u>17,931.80</u>		<u>94,176.41</u>
Health and Welfare:					
Ambulance	330.64				330.64
Total Health and Welfare	<u>330.64</u>				<u>330.64</u>
Culture and Recreation:					
Recreation	28,144.73				28,144.73
Parks	5,804.77				5,804.77
Libraries	15,597.41		5,000.00	5,443.51	26,040.92
Auditorium	12,624.33				12,624.33
Liquor Store	5,968.27				5,968.27
Total Culture and Recreation	<u>68,139.51</u>		<u>5,000.00</u>	<u>5,443.51</u>	<u>78,583.02</u>
Debt Service					
Capital Outlay	60,056.00		68,302.55		68,302.55
Total Expenditures	<u>445,233.29</u>		<u>91,234.35</u>	<u>5,443.51</u>	<u>541,911.15</u>
Excess of Revenue Over (Under)					
Expenditures	646.45	1,221.24	655.56	(4,422.76)	(1,899.51)
Other Financing Sources (Uses):					
Sale of Municipal Property	2,386.00				2,386.00
Transfers In	7,350.00				7,350.00
Total Other Financing Sources (Uses)	<u>9,736.00</u>				<u>9,736.00</u>
Net Change in Fund Balances	10,382.45	1,221.24	655.56	(4,422.76)	7,836.49
Fund Balance - Beginning	<u>(32,923.63)</u>	<u>128,730.24</u>	<u>86,395.36</u>	<u>36,197.66</u>	<u>218,399.63</u>
FUND BALANCE - ENDING	<u>\$ (22,541.18)</u>	<u>\$ 129,951.48</u>	<u>\$ 87,050.92</u>	<u>\$ 31,774.90</u>	<u>\$ 226,236.12</u>

The attached notes are an integral part of these financial statements.

**CITY OF ALCESTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 7,836.49

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital
outlays exceeds depreciation expense.

Investment in Capital Assets	\$60,056.00	
Depreciation Expense	<u>(46,942.01)</u>	13,113.99

Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the Statement of Net Position.

Revenue Bonds	53,685.46
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Governmental funds report property taxes as revenue when
cash is received, but the Statement of Activities includes the
property taxes as revenue when earned.

<u>5,061.02</u>

Change in Net Position of Governmental Activities	<u><u>\$ 79,696.96</u></u>
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**CITY OF ALCESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 120,679.16	\$ 102,095.01	\$ 21,837.21	\$	\$ 244,611.38
Utility Accounts Receivable, Net	13,596.35	11,764.58	2,870.00		28,230.93
Due From Other Funds	<u>8,695.20</u>				<u>8,695.20</u>
Total Current Assets	<u>142,970.71</u>	<u>113,859.59</u>	<u>24,707.21</u>		<u>281,537.51</u>
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	68,761.40	25,089.59			93,850.99
Capital Assets:					
Land	12,700.00	27,000.00		10,696.00	50,396.00
Buildings	3,505.00			50,164.00	53,669.00
Improvements Other Than Buildings	463,440.25	2,185,622.66		60,534.00	2,709,596.91
Machinery and Equipment	81,980.66	55,793.41	6,375.00	49,056.00	193,205.07
Less: Accumulated Depreciation	<u>(357,093.42)</u>	<u>(799,871.98)</u>	<u>(5,525.00)</u>	<u>(52,950.58)</u>	<u>(1,215,440.98)</u>
Total Noncurrent Assets	<u>273,293.89</u>	<u>1,493,633.68</u>	<u>850.00</u>	<u>117,499.42</u>	<u>1,885,276.99</u>
TOTAL ASSETS	<u>416,264.60</u>	<u>1,607,493.27</u>	<u>25,557.21</u>	<u>117,499.42</u>	<u>2,166,814.50</u>
LIABILITIES:					
Current Liabilities:					
Due to Other Funds				8,695.20	8,695.20
Customer Deposits	13,576.89				13,576.89
Revenue Bonds Payable - Current	<u>14,175.28</u>	<u>7,444.53</u>			<u>21,619.81</u>
Total Current Liabilities	<u>27,752.17</u>	<u>7,444.53</u>		<u>8,695.20</u>	<u>43,891.90</u>
Noncurrent Liabilities:					
Bonds Payable:					
Revenue Bonds	<u>94,944.52</u>	<u>380,082.09</u>			<u>475,026.61</u>
Total Noncurrent Liabilities	<u>94,944.52</u>	<u>380,082.09</u>			<u>475,026.61</u>
NET POSITION:					
Net Investment in Capital Assets	95,412.69	1,081,017.47	850.00	117,499.42	1,294,779.58
Restricted for:					
Debt Service	68,682.64	25,027.70			93,710.34
Unrestricted Net Position	<u>129,472.58</u>	<u>113,921.48</u>	<u>24,707.21</u>	<u>(8,695.20)</u>	<u>259,406.07</u>
Total Net Position	<u>\$293,567.91</u>	<u>\$1,219,966.65</u>	<u>\$25,557.21</u>	<u>\$108,804.22</u>	<u>\$1,647,895.99</u>

The attached notes are an integral part of these financial statements

CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course	
Operating Revenue:					
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 184,437.50	\$ 149,793.12	\$	\$	\$ 334,230.62
Charges for Goods and Services			35,794.03	87,337.89	123,131.92
Total Operating Revenue	<u>184,437.50</u>	<u>149,793.12</u>	<u>35,794.03</u>	<u>87,337.89</u>	<u>457,362.54</u>
Operating Expenses:					
Personal Services	27,044.17	63,728.53	2,852.58	41,899.14	135,524.42
Other Current Expense	20,444.92	72,664.79	12,760.29	60,602.93	166,472.93
Materials (Cost of Goods Sold)	71,413.24				71,413.24
Depreciation	14,039.74	45,900.33	637.50	13,552.38	74,129.95
Total Operating Expenses	<u>132,942.07</u>	<u>182,293.65</u>	<u>16,250.37</u>	<u>116,054.45</u>	<u>447,540.54</u>
Operating Income (Loss)	<u>51,495.43</u>	<u>(32,500.53)</u>	<u>19,543.66</u>	<u>(28,716.56)</u>	<u>9,822.00</u>
Nonoperating Revenue (Expense):					
Interest Income	78.76	61.89		3.01	143.66
Interest Expense and Fiscal Charges	(6,045.69)	(17,612.72)			(23,658.41)
Total Nonoperating Revenue (Expense)	<u>(5,966.93)</u>	<u>(17,550.83)</u>		<u>3.01</u>	<u>(23,514.75)</u>
Income (Loss) Before Capital Contributions and Transfers	45,528.50	(50,051.36)	19,543.66	(28,713.55)	(13,692.75)
Transfers (Out)	(2,598.00)		(5,510.00)		(8,108.00)
Transfers In				5,510.00	5,510.00
Change in Net Position	42,930.50	(50,051.36)	14,033.66	(23,203.55)	(16,290.75)
Net Position - Beginning	<u>250,637.41</u>	<u>1,270,018.01</u>	<u>11,523.55</u>	<u>132,007.77</u>	<u>1,664,186.74</u>
NET POSITION - ENDING	<u>\$ 293,567.91</u>	<u>\$ 1,219,966.65</u>	<u>\$ 25,557.21</u>	<u>\$ 108,804.22</u>	<u>\$ 1,647,895.99</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Receipts from Customers	\$ 186,926.54	\$ 150,303.74	\$ 35,083.03	\$ 87,337.89	\$ 459,651.20
Cash Payments to Employees for Services	(27,044.17)	(63,728.53)	(2,852.58)	(41,899.14)	(135,524.42)
Cash Payments to Suppliers for Goods and Services	(99,662.72)	(72,971.45)	(14,120.49)	(60,638.45)	(247,393.11)
Net Cash Provided (Used) by Operating Activities	<u>60,219.65</u>	<u>13,603.76</u>	<u>18,109.96</u>	<u>(15,199.70)</u>	<u>76,733.67</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Interfund Loans	(7,662.90)			8,695.20	1,032.30
Transfers In (Out)	(2,598.00)		(5,510.00)	5,510.00	(2,598.00)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(10,260.90)</u>		<u>(5,510.00)</u>	<u>14,205.20</u>	<u>(1,565.70)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Paid on Capital Debt	(13,496.31)	(7,118.20)			(20,614.51)
Interest Paid on Capital Debt	(6,045.69)	(17,612.72)			(23,658.41)
Net Cash (Used) by Capital and Related Financing Activities	<u>(19,542.00)</u>	<u>(24,730.92)</u>			<u>(44,272.92)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	78.76	61.89		3.01	143.66
Net Cash Provided (Used) by Investing Activities	<u>78.76</u>	<u>61.89</u>		<u>3.01</u>	<u>143.66</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 30,495.51</u>	<u>\$ (11,065.27)</u>	<u>\$ 12,599.96</u>	<u>\$ (991.49)</u>	<u>\$ 31,038.71</u>
Cash and Cash Equivalents at Beginning of Year	\$ 158,945.05	\$ 138,249.87	\$ 9,237.25	991.49	\$ 307,423.66
Cash and Cash Equivalents at End of Year	<u>189,440.56</u>	<u>127,184.60</u>	<u>21,837.21</u>	<u>(0.00)</u>	<u>338,462.37</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 30,495.51</u>	<u>\$ (11,065.27)</u>	<u>\$ 12,599.96</u>	<u>\$ (991.49)</u>	<u>\$ 31,038.71</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 51,495.43	\$ (32,500.53)	\$ 19,543.66	\$ (28,716.56)	\$ 9,822.00
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	14,039.74	45,900.33	637.50	13,552.38	74,129.95
Change in Assets and Liabilities:					
Receivables	555.21	510.62	(711.00)		354.83
Payables	(7,804.56)	(306.66)	(1,360.20)	(35.52)	(9,506.94)
Customer Deposits	1,933.83				1,933.83
Net Cash Provided (Used) by Operating Activities	<u>\$ 60,219.65</u>	<u>\$ 13,603.76</u>	<u>\$ 18,109.96</u>	<u>\$ (15,199.70)</u>	<u>\$ 76,733.67</u>

The attached notes are an integral part of these financial statements

CITY OF ALCESTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course	
Operating Revenue:					
Charges for Goods and Services (Revenues Securing Debt Issues)	\$ 190,092.97	\$ 152,573.19	\$	\$	\$ 342,666.16
Charges for Goods and Services	<u> </u>	<u> </u>	<u>30,802.46</u>	<u>70,550.03</u>	<u>101,352.49</u>
Total Operating Revenue	<u>190,092.97</u>	<u>152,573.19</u>	<u>30,802.46</u>	<u>70,550.03</u>	<u>444,018.65</u>
Operating Expenses:					
Personal Services	36,163.41	63,986.24	2,997.52	43,111.91	146,259.08
Other Current Expense	35,313.49	66,147.37	24,025.00	50,040.18	175,526.04
Materials (Cost of Goods Sold)	88,281.80				88,281.80
Depreciation	<u>13,982.89</u>	<u>46,544.58</u>	<u>637.50</u>	<u>13,551.78</u>	<u>74,716.75</u>
Total Operating Expenses	<u>173,741.59</u>	<u>176,678.19</u>	<u>27,660.02</u>	<u>106,703.87</u>	<u>484,783.67</u>
Operating Income (Loss)	<u>16,351.38</u>	<u>(24,105.00)</u>	<u>3,142.44</u>	<u>(36,153.84)</u>	<u>(40,765.02)</u>
Nonoperating Revenue (Expense):					
Interest Income	178.64	61.80		5.25	245.69
Interest Expense and Fiscal Charges	<u>(6,692.29)</u>	<u>(17,925.39)</u>	<u> </u>	<u> </u>	<u>(24,617.68)</u>
Total Nonoperating Revenue (Expense)	<u>(6,513.65)</u>	<u>(17,863.59)</u>	<u> </u>	<u>5.25</u>	<u>(24,371.99)</u>
Income (Loss) Before Capital Contributions and Transfers	9,837.73	(41,968.59)	3,142.44	(36,148.59)	(65,137.01)
Transfers (Out)	(7,350.00)		(5,575.00)		(12,925.00)
Transfers In	<u> </u>	<u> </u>	<u> </u>	<u>5,575.00</u>	<u>5,575.00</u>
Change in Net Position	2,487.73	(41,968.59)	(2,432.56)	(30,573.59)	(72,487.01)
Net Position - Beginning	<u>248,149.68</u>	<u>1,311,986.60</u>	<u>13,956.11</u>	<u>162,581.36</u>	<u>1,736,673.75</u>
NET POSITION - ENDING	<u>\$ 250,637.41</u>	<u>\$ 1,270,018.01</u>	<u>\$ 11,523.55</u>	<u>\$ 132,007.77</u>	<u>\$ 1,664,186.74</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Garbage Fund	Golf Course Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Receipts from Customers	\$ 185,985.48	\$ 163,513.74	\$ 30,598.66	\$ 70,550.03	\$ 450,647.91
Cash Payments to Employees for Services	(36,163.41)	(63,986.24)	(2,997.52)	(43,111.91)	(146,259.08)
Cash Payments to Suppliers for Goods and Services	(115,790.73)	(65,840.71)	(22,664.80)	(50,004.66)	(254,300.90)
Net Cash Provided (Used) by Operating Activities	<u>34,031.34</u>	<u>33,686.79</u>	<u>4,936.34</u>	<u>(22,566.54)</u>	<u>50,087.93</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers In (Out)	<u>(7,350.00)</u>	<u>_____</u>	<u>(5,575.00)</u>	<u>5,575.00</u>	<u>(7,350.00)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(7,350.00)</u>	<u>_____</u>	<u>(5,575.00)</u>	<u>5,575.00</u>	<u>(7,350.00)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Paid on Capital Debt	(12,849.70)	(6,805.53)	_____	_____	(19,655.23)
Interest Paid on Capital Debt	<u>(6,692.29)</u>	<u>(17,925.39)</u>	<u>_____</u>	<u>_____</u>	<u>(24,617.68)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(19,541.99)</u>	<u>(24,730.92)</u>	<u>_____</u>	<u>_____</u>	<u>(44,272.91)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings	<u>178.64</u>	<u>61.80</u>	<u>_____</u>	<u>5.25</u>	<u>245.69</u>
Net Cash Provided (Used) by Investing Activities	<u>178.64</u>	<u>61.80</u>	<u>_____</u>	<u>5.25</u>	<u>245.69</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 7,317.99</u>	<u>\$ 9,017.67</u>	<u>\$ (638.66)</u>	<u>\$ (16,986.29)</u>	<u>\$ (1,289.29)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 151,627.06	\$ 129,232.20	\$ 9,875.91	17,977.78	\$ 308,712.95
Cash and Cash Equivalents at End of Year	<u>158,945.05</u>	<u>138,249.87</u>	<u>9,237.25</u>	<u>991.49</u>	<u>307,423.66</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 7,317.99</u>	<u>\$ 9,017.67</u>	<u>\$ (638.66)</u>	<u>\$ (16,986.29)</u>	<u>\$ (1,289.29)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 16,351.38	\$ (24,105.00)	\$ 3,142.44	\$(36,153.84)	\$ (40,765.02)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	13,982.89	46,544.58	637.50	13,551.78	74,716.75
Change in Assets and Liabilities:					
Receivables	(2,931.16)	10,940.55	(203.80)	_____	7,805.59
Payables	7,804.56	306.66	1,360.20	35.52	9,506.94
Customer Deposits	<u>(1,176.33)</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>(1,176.33)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,031.34</u>	<u>\$ 33,686.79</u>	<u>\$ 4,936.34</u>	<u>\$ (22,566.54)</u>	<u>\$ 50,087.93</u>

The attached notes are an integral part of these financial statements

**CITY OF ALCESTER
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Alcester, 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); 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 Alcester, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor and hold office until their successors have been appointed and qualified. 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 a low-income housing unit, 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 the Alcester City Hall, P.O. Box 318, Alcester, SD 57001.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program

revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

The funds of the 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

CDBG Revolving Loan Fund – A fund allowed by SDCL 4-11-6 to make loans to area businesses from funds that were originally provided by a Community Development Block Grant. This is a major fund.

2nd Cent Sales Tax Fund – A fund established by City Ordinance No. 2005 to account for additional 1% sales tax. The City has committed the use of this fund to capital improvements and debt service. This is a major fund.

Library Fund – A fund used to account for library operations obtained and used through governmental services. This is not a major fund.

Proprietary Funds:

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

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

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

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

Garbage Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal garbage system and related facilities. This is a major fund.

Golf Course Fund - Financed by user charges, this fund accounts for the operations of the golf course services. This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Alcester, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2015, are amounts due from other governments and accounts receivable.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in

the General Fund, so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

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

e. Deposits and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months.

f.. Capital Assets:

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

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

Government-wide Financial Statements:

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

The total December 31, 2015 balance of governmental activities capital assets includes approximately 2.9% for which the costs were determined by estimates of the original costs. The total of December 31, 2015 balance of business-type capital assets are valued at original cost. These estimated costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	All	NA	NA
Improvements Other than Buildings	5,000.00	Straight Line	10-50 yrs
Buildings	25,000.00	Straight Line	50 yrs
Machinery and Equipment	5,000.00	Straight Line	2-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. 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 in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. 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.

n. 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:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Fund Balance may be committed by the Municipal Council.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered, restricted nor committed. Fund Balance may be assigned by the Municipal Council.
- 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.

Proprietary fund equity is classified the same as in the government-wide financial statements.

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 ALCESTER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>CDBG Fund</u>	<u>2nd Cent Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total</u>
Fund Balances:					
<i>Restricted for:</i>					
Community Development	\$	\$ 130,947.11	\$	\$	\$ 130,947.11
Library				32,018.19	32,018.19
<i>Committed:</i>					
Capital Improvements and Debt Service			120,950.10		120,950.10
<i>Unassigned</i>	<u>1,354.39</u>				<u>1,354.39</u>
Total Fund Balances	<u>\$ 1,354.39</u>	<u>\$ 130,947.11</u>	<u>\$ 120,950.10</u>	<u>\$ 32,018.19</u>	<u>\$ 285,269.79</u>

o. Pensions

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

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

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

	<u>Year Ended, 2015</u>
<u>General Fund</u>	
Finance Office	\$ 19,559.59

The Governing Board plans to take the following actions to address these violations: In the future, the Municipality will adopt a supplemental budget when necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:

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

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

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

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

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.

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

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

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 deposits and investments to the fund making the investment.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS:

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

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water	\$ 68,761.40	Debt Service, by debt covenants
Sewer	25,089.59	Debt Service, by debt covenants

NOTE 5 - RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year, except for \$35,439.87 of receivables related to economic development loans to qualifying businesses reported in the CDBG Fund. This is a summary of CDBG Loans receivable as of December 31, 2015.

Year Ended Dec 31,	Theresa Deem	Dakota Earth	Health	Alcester	Alcester Tire	Total
	2013 CDBG Fund	2013 CDBG Fund	2014 CDBG Fund	Health Services 2013 CDBG Fund	& Services 2014 CDBG Fund	
2016	\$ 1,491.49	\$ 2,123.59	\$ 1,388.83	\$ 2,226.88	\$ 2,023.23	\$ 9,254.02
2017	1,516.96	2,167.10	1,417.27	2,272.48	2,064.69	9,438.50
2018	67.14	2,211.48	1,446.31	2,319.05	2,106.97	8,150.95
2019		2,256.79	1,475.92	2,366.55	2,150.14	8,249.40
2020		969.73	1,506.16	362.38	2,194.18	5,032.45
2011-2023			633.81		3,934.76	4,568.57
Total	\$ 3,075.59	\$ 9,728.69	\$ 7,868.30	\$ 9,547.34	\$ 14,473.97	\$ 44,693.89

NOTE 6 - INVENTORY:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost. As of December 31, 2015, there were no material amounts of inventory to report in the General Fund.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to an expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption. As of December 31, 2015, there were no material amounts of inventory to report in the proprietary funds.

Government-wide Financial Statements:

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

Fund Financial Statements:

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

NOTE 7 - 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 the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

NOTE 8 - CHANGES IN GENERAL CAPITAL ASSETS:

A summary of changes in capital assets for the two years ended December 31, 2015 is as follows:

	<u>Balance</u> <u>01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/15</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 50,150.00	\$	\$	\$ 50,150.00
Total not being depreciated	<u>50,150.00</u>			<u>50,150.00</u>
Capital Assets, being depreciated:				
Buildings	254,036.02			254,036.02
Improvements Other than Buildings	350,718.55			350,718.55
Machinery and Equipment	393,982.08	55,032.00	(25,800.00)	423,214.08
Library Books	20,292.83	12,145.04		32,437.87
Total being depreciated	<u>1,019,029.48</u>	<u>67,177.04</u>	<u>(25,800.00)</u>	<u>1,060,406.52</u>
Less Accumulated Depreciation for:				
Buildings	164,741.63	9,765.96		174,507.59
Improvements Other than Buildings	98,176.66	35,881.52		134,058.18
Machinery and Equipment	337,425.42	41,810.56	(25,800.00)	353,435.98
Library Books	2,725.19	3,205.28		5,930.47
Total accumulated depreciation	<u>603,068.90</u>	<u>90,663.32</u>	<u>(25,800.00)</u>	<u>667,932.22</u>
Total Governmental Activities Capital Assets, Being Depreciated, Net	<u>415,960.58</u>	<u>(23,486.28)</u>		<u>392,474.30</u>
Governmental Activities Capital Assets, Net	<u>\$ 466,110.58</u>	<u>\$ (23,486.28)</u>	<u>\$</u>	<u>\$ 442,624.30</u>

Depreciation Expense was charged to functions as follows:	<u>2014</u>	<u>2015</u>	<u>Totals</u>
General Government	\$ 35,206.51	\$32,790.98	\$ 67,997.49
Public Safety	4,694.20	4,372.13	9,066.33
Public Works	4,694.20	4,372.13	9,066.33
Culture and Recreation	2,347.10	2,186.07	4,533.17
Total Depreciation Expense - Governmental Activities	<u>\$ 46,942.01</u>	<u>\$43,721.31</u>	<u>\$ 90,663.32</u>

	Balance <u>01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/15</u>
Business - Type Activities:				
Capital Assets, not being Depreciated				
Land	\$ 50,396.00	\$	\$	\$ 50,396.00
Total Capital Assets, not being depreciated	<u>50,396.00</u>			<u>50,396.00</u>
Capital Assets, being Depreciated:				
Buildings	53,669.00			53,669.00
Improvements Other Than Buildings	2,709,596.91			2,709,596.91
Machinery and Equipment	193,205.07			193,205.07
Total being Depreciated	<u>2,956,470.98</u>			<u>2,956,470.98</u>
Less Accumulated Depreciation for:				
Buildings	8,488.25	5,049.55		13,537.80
Improvements Other than Buildings	949,709.53	115,448.48		1,065,158.01
Machinery and Equipment	108,396.50	28,348.67		136,745.17
Total Accumulated Depreciation	<u>1,066,594.28</u>	<u>148,846.70</u>		<u>1,215,440.98</u>
Total Business-Type Activities Capital Assets, being depreciated, net	<u>1,889,876.70</u>	<u>(148,846.70)</u>		<u>1,741,030.00</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,940,272.70</u>	<u>\$ (148,846.70)</u>	<u>\$</u>	<u>\$ 1,791,426.00</u>

Depreciation expense was charged to functions as follows:	2014	2015	Totals
Water	\$ 13,982.89	\$ 14,039.74	\$ 28,022.63
Sewer	46,544.58	45,900.33	92,444.91
Garbage	13,551.78	13,552.38	27,104.16
Golf Course	637.50	637.50	1,275.00
Total Depreciation Expense - Business-type Activities	<u>\$ 74,716.75</u>	<u>\$ 74,129.95</u>	<u>\$ 148,846.70</u>

NOTE 9 - LONG-TERM LIABILITIES:

A summary of changes in long-term liabilities follows:

	01/01/14 Beginning Balance	<u>Additions</u>	<u>Deletions</u>	12/31/15 Ending Balance	Due within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable: Revenue	\$ 325,737.03	\$	\$ 104,450.35	\$ 221,286.68	\$ 53,212.60
Total Governmental Activities	<u>325,737.03</u>		<u>104,450.35</u>	<u>221,286.68</u>	<u>53,212.60</u>
Business-Type Activities:					
Bonds Payable: Revenue	536,916.16		40,269.74	496,646.42	21,619.81
Total Business - Type Activities	<u>536,916.16</u>		<u>40,269.74</u>	<u>496,646.42</u>	<u>21,619.81</u>
Total Primary Government	<u>\$ 862,653.19</u>	<u>\$</u>	<u>\$ 144,720.09</u>	<u>\$ 717,933.10</u>	<u>\$ 74,832.41</u>

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

Revenue Bonds:

Water System Revenue Bonds - 1980 Rural Development Loan 5% Interest, Final Maturity Date of 2020 Retired by the Water Fund.	\$ 53,709.61
Water System Revenue Bonds - 1987 Rural Development Loan 5% Interest, Final Maturity Date of 2027 Retired by the Water Fund.	55,410.19
Sewer System Revenue Bonds - 2002 Rural Development Loan 4.5% Interest, Final Maturity Date of 2043 Retired by the Water Fund.	387,526.62
Sales Tax Revenue Bonds - Series 2006 4.25% Interest, Final Maturity Date November 1, 2016 Retired by the 2nd Cent Fund.	24,347.98
Sales Tax Revenue Bonds - Series 2009 4.25% Interest, Final Maturity Date November 1, 2019 Retired by the 2nd Cent Fund.	76,809.47
Sales Tax Revenue Bonds - Series 2011 3.5% Interest, Final Maturity Date July 1, 2025 Retired by the 2nd Cent Fund.	120,129.23

The annual requirements to amortize all debt outstanding as of December 31, 2015, are as follows:

Year Ended Dec 31,	<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>		<u>Totals</u>	
	Revenue Bonds		Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2016	53,212.60	7,960.05	\$ 21,619.81	\$ 22,653.12	\$ 74,832.41	\$ 30,613.17
2017	30,030.46	6,026.78	22,675.13	21,597.79	52,705.59	27,624.57
2018	31,234.35	4,822.90	23,782.07	20,490.85	55,016.42	25,313.75
2019	32,486.83	3,570.36	24,943.16	19,329.76	57,429.99	22,900.12
2020	12,480.02	2,493.03	23,263.19	18,111.90	35,743.21	20,604.93
2021-2025	61,842.42	5,536.34	79,016.69	77,697.91	140,859.11	83,234.25
2026-2030			69,639.14	59,854.98	69,639.14	59,854.98
2031-2035			80,038.01	47,132.01	80,038.01	47,132.01
2036-2040			100,191.28	23,463.32	100,191.28	23,463.32
2041-2045			51,477.94	2,675.00	51,477.94	2,675.00
Total	<u>\$ 221,286.68</u>	<u>\$ 30,409.46</u>	<u>\$ 496,646.42</u>	<u>\$ 313,006.64</u>	<u>\$ 717,933.10</u>	<u>\$ 343,416.10</u>

NOTE 10 - CONDUIT DEBT:

In the past, the City 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, 2015, there were two conduit bond issues outstanding with an aggregate unpaid principal amount of \$677,621.78. Final payment for the debt is December of 2043 and December of 2030.

NOTE 11 - INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances at December 31, 2015 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$	\$ 15,000.00
CDBG Special Revenue Fund	15,000.00	
Water Fund	8,695.20	
Golf Course		8,695.20
Total	<u>\$ 23,695.20</u>	<u>\$ 23,695.20</u>

The City's General Fund borrowed money from the CDBG Special Revenue Fund in order pay off the settlement incurred in regards to the Municipal Bar. Of the \$15,000 interfund loan, \$9,000 is not expected to be repaid within the next year.

The Water Fund loaned the Golf Course Fund for cash shortages.

NOTE 12 - RESTRICTED NET POSITION:

Restricted Net Position for the year ended December 31, 2015 were as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Major Funds:			
CDBG Fund			
Community Development:	\$ 130,947.11	\$	\$ 130,947.11
Debt Service		93,710.34	93,710.34
Nonmajor Fund:			
Library	32,018.19		32,018.19
SDRS Pension	73,499.09		73,499.09
Total Restricted Net Position	<u>\$ 236,464.39</u>	<u>\$ 93,710.34</u>	<u>\$ 330,174.73</u>

These balances are restricted due to federal grant and statutory requirements.

NOTE 13 - INTERFUND TRANSFERS:

Interfund transfers for the year ended December 31, 2014 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	Golf Course <u>Fund</u>	General <u>Fund</u>
Water Fund	\$	\$ 7,350.00
Garbage Fund	5,575.00	

The City transferred money to assist with operating deficits within the General Fund and Golf Course Funds.

Interfund transfers for the year ended December 31, 2015 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	Golf Course <u>Fund</u>	General <u>Fund</u>
Water Fund	\$	\$ 2,598.00
Garbage Fund	5,510.00	

The City transferred money to assist with operating deficits within the General Fund and Golf Course Funds.

NOTE 14 - SIGNIFICANT CONTINGENCIES - LITIGATION:

At December 31, 2015, the City of Alcester was not involved in any significant contingencies.

NOTE 15 - 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 year ended December 31, 2015, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims 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.

Unemployment Benefits:

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During the year ended December 31, 2015, one claim was filed for unemployment benefits. This claim resulted in the payment of benefit in the amount of \$4,122.50. At December 31, 2015, no claims had been filed and were outstanding.

NOTE 16 - Pension Plan:

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, 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

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 fiscal years ended December 31, 2015, 2014, and 2013 were \$15,167, \$14,813, and \$15,869, respectively, equal to the required contributions each year.

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

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

Proportionate share of net position restricted for pension benefits	\$ 1,552,392.00
Less proportionate share of total pension assets	<u>1,491,295.00</u>
Proportionate share of net pension asset	<u>\$ 61,096.99</u>

At December 31, 2015, the City reported a liability (asset) of \$ (61,096.99) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City’s proportion was .0144053%, which is an increase of .0009707% from its proportion measured as of June 30, 2014. For the year ended December 31, 2015, the City recognized pension expense (revenue) of (\$10,025.18). At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,509.89	\$
Changes in assumption	48,446.07	
Net difference between projected and actual earnings on pension plan investments	37,323.12	90,149.78
Changes in proportion and difference between City contributions and proportionate share of contributions		3,138.42
City contributions subsequent to the measurement date	<u>7,411.21</u>	
TOTAL	<u>\$ 105,690.29</u>	<u>\$ 93,288.20</u>

\$7,411.21 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:

2016	\$ 2,895.05
2017	2,895.05
2018	(7,788.47)
2019	<u>10,127.68</u>
TOTAL	<u>\$ 8,129.30</u>

Actuarial Assumptions:

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

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.0%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the City's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2017 and 7.50 percent thereafter, 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 (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) 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)	\$ 153,780.45	\$ (61,096.99)	\$ (236,311.04)

Pension Plan Fiduciary Net Position:

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

NOTE 17 - Prior Period Adjustment

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions- An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for*

Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

Net Position January 1, 2015, as previously reported	\$ 441,233.11
Restatement for pension accounting:	
Net Pension Asset	96,790.80
Pension related Deferred Inflows of Resources	(112,100.07)
Pension related Deferred Outflows of Resources	<u>79,395.78</u>
Net Position January 1, 2015, as restated	<u>\$ 505,319.62</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 258,200.00	\$ 258,200.00	\$ 251,134.74	\$ (7,065.26)
General Sales and Use Taxes	108,250.00	108,250.00	97,341.99	(10,908.01)
Amusement Taxes			168.00	168.00
Licenses and Permits	5,530.00	6,530.00	6,460.50	(69.50)
Intergovernmental Revenue:				
Federal Grants - Police		4,605.00	2,940.62	(1,664.38)
State Shared Revenue:				
Bank Franchise Tax	1,500.00	1,500.00	1,664.15	164.15
Liquor Tax Reversion	5,500.00	5,500.00	5,018.19	(481.81)
Motor Vehicle Licenses (5%)	6,600.00	6,600.00	10,369.45	3,769.45
Local Government Highway and Bridge Fund	5,500.00	5,500.00	7,257.34	1,757.34
Other	750.00	5,750.00	1,351.77	(4,398.23)
County Shared Revenue:				
County Road Tax	3,150.00	3,275.00	3,051.62	(223.38)
Charges for Goods and Services:				
General Government		630.00	753.60	123.60
Public Safety	85.00	155.00	164.00	9.00
Culture and Recreation	5,500.00	5,950.00	7,728.06	1,778.06
Fines and Forfeits:				
Court Fines and Costs	275.00	1,475.00	1,531.83	56.83
Miscellaneous Revenue:				
Investment Earnings	2,300.00	2,300.00	2,272.72	(27.28)
Rental	14,400.00	14,660.00	14,760.00	100.00
Cable	5,000.00	5,000.00		(5,000.00)
Contribution and Donation from				
Private Sources	10,000.00	10,000.00	11,645.24	1,645.24
Other	3,100.00	17,640.00	45,181.77	27,541.77
Total Revenue	<u>435,640.00</u>	<u>463,520.00</u>	<u>470,795.59</u>	<u>7,275.59</u>
Expenditures:				
General Government:				
Legislative	47,060.00	47,060.00	29,025.73	18,034.27
Executive - Mayor	1,898.00	1,898.00	1,700.87	197.13
Elections	1,150.00	1,150.00	32.39	1,117.61
Finance Office	61,683.00	72,488.00	92,047.59	(19,559.59)
Other	18,220.00	18,220.00	9,402.25	8,817.75
Total General Government	<u>130,011.00</u>	<u>140,816.00</u>	<u>132,208.83</u>	<u>8,607.17</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Police	122,730.00	127,335.00	110,839.08	16,495.92
Fire	16,500.00	16,500.00	16,500.00	
Other Protection	<u>1,300.00</u>	<u>1,300.00</u>	<u>797.30</u>	<u>502.70</u>
Total Public Safety	<u>140,530.00</u>	<u>145,135.00</u>	<u>128,136.38</u>	<u>16,998.62</u>
Public Works:				
Highways and Streets	<u>100,007.00</u>	<u>101,872.00</u>	<u>106,134.92</u>	<u>(4,262.92)</u>
Total Public Works	<u>100,007.00</u>	<u>101,872.00</u>	<u>106,134.92</u>	<u>(4,262.92)</u>
Health and Welfare:				
Ambulance	<u>500.00</u>	<u>500.00</u>	<u>458.20</u>	<u>41.80</u>
Total Health and Welfare	<u>500.00</u>	<u>500.00</u>	<u>458.20</u>	<u>41.80</u>
Culture and Recreation:				
Recreation	29,585.00	40,330.00	31,674.98	8,655.02
Parks	5,580.00	5,580.00	12,048.34	(6,468.34)
Libraries	25,400.00	25,400.00	23,270.86	2,129.14
Auditorium	12,170.00	14,720.00	15,449.10	(729.10)
Liquor Store	<u>6,000.00</u>	<u>6,000.00</u>	<u>208.61</u>	<u>5,791.39</u>
Total Culture and Recreation	<u>78,735.00</u>	<u>92,030.00</u>	<u>82,651.89</u>	<u>9,378.11</u>
Total Expenditures	<u>449,783.00</u>	<u>480,353.00</u>	<u>449,590.22</u>	<u>30,762.78</u>
Excess of Revenue Over (Under)				
Expenditures	(14,143.00)	(16,833.00)	21,205.37	38,038.37
Other Financing Sources (Uses):				
Sale of Municipal Property		92.00	92.20	0.20
Transfers In		<u>2,598.00</u>	<u>2,598.00</u>	
Total Other Financing Sources (Uses)		<u>2,690.00</u>	<u>2,690.20</u>	<u>0.20</u>
Net Change in Fund Balances	(14,143.00)	(14,143.00)	23,895.57	38,038.57
Fund Balance - Beginning	<u>(22,541.18)</u>	<u>(22,541.18)</u>	<u>(22,541.18)</u>	
FUND BALANCE - ENDING	<u>\$ (36,684.18)</u>	<u>\$ (36,684.18)</u>	<u>\$ 1,354.39</u>	<u>\$ 38,038.57</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - CDBG FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous Revenue:				
Other Special Rev.	\$ 13,873.40	\$ 13,873.40	\$	\$ (13,873.40)
Investment Earnings			995.63	995.63
Total Revenue	<u>13,873.40</u>	<u>13,873.40</u>	<u>995.63</u>	<u>(12,877.77)</u>
Expenditures:				
Economic Development		30,000.00		30,000.00
Total Expenditures		<u>30,000.00</u>		<u>30,000.00</u>
Net Change in Fund Balances	13,873.40	(16,126.60)	995.63	17,122.23
Fund Balance - Beginning	<u>129,951.48</u>	<u>129,951.48</u>	<u>129,951.48</u>	
FUND BALANCE - ENDING	<u><u>\$ 143,824.88</u></u>	<u><u>\$ 113,824.88</u></u>	<u><u>\$ 130,947.11</u></u>	<u><u>\$ 17,122.23</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - 2nd CENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 108,250.00	\$ 148,250.00	\$ 98,215.20	\$ (50,034.80)
Total Revenue	<u>108,250.00</u>	<u>148,250.00</u>	<u>98,215.20</u>	<u>(50,034.80)</u>
Expenditures:				
Public Works:				
Highways and Streets			2,800.00	(2,800.00)
Culture and Recreation:				
Golf Course			700.00	(700.00)
Debt Service	<u>85,816.03</u>	<u>99,516.03</u>	<u>60,816.02</u>	<u>38,700.01</u>
Total Expenditures	<u>85,816.03</u>	<u>99,516.03</u>	<u>64,316.02</u>	<u>35,200.01</u>
Net Change in Fund Balances	22,433.97	48,733.97	33,899.18	(14,834.79)
Fund Balance - Beginning	<u>87,050.92</u>	<u>87,050.92</u>	<u>87,050.92</u>	<u> </u>
FUND BALANCE - ENDING	<u>\$ 109,484.89</u>	<u>\$ 135,784.89</u>	<u>\$ 120,950.10</u>	<u>\$ (14,834.79)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 243,000.00	\$ 243,000.00	\$ 246,553.31	\$ 3,553.31
General Sales and Use Taxes	107,000.00	107,000.00	96,492.48	(10,507.52)
Licenses and Permits	7,500.00	7,500.00	2,822.50	(4,677.50)
Intergovernmental Revenue:				
Federal Grants - Police		12,187.25	4,814.00	(7,373.25)
State Shared Revenue:				
Bank Franchise Tax	1,000.00	1,000.00	1,367.57	367.57
Liquor Tax Reversion	5,500.00	5,500.00	4,267.94	(1,232.06)
Motor Vehicle Licenses (5%)	6,500.00	6,500.00	8,725.47	2,225.47
Local Government Highway and Bridge Fund	5,500.00	5,500.00	6,356.16	856.16
Other		3,000.00	2,098.37	(901.63)
County Shared Revenue:				
County Road Tax	2,500.00	3,000.00	3,558.87	558.87
Charges for Goods and Services:				
General Government		250.00	315.69	65.69
Public Safety		100.00	190.00	90.00
Culture and Recreation	5,500.00	6,500.00	6,449.79	(50.21)
Fines and Forfeits:				
Court Fines and Costs		1,400.00	1,755.70	355.70
Miscellaneous Revenue:				
Investment Earnings	2,300.00	2,300.00	2,154.40	(145.60)
Rental		300.00	14,710.00	14,410.00
Contribution and Donation from Private Sources		3,800.00	11,517.00	7,717.00
Other	27,450.00	27,450.00	31,730.49	4,280.49
Total Revenue	<u>413,750.00</u>	<u>436,287.25</u>	<u>445,879.74</u>	<u>9,592.49</u>
Expenditures:				
General Government:				
Legislative	45,000.00	45,000.00	44,921.63	78.37
Executive - Mayor	2,000.00	2,000.00	1,615.48	384.52
Elections	1,000.00	1,000.00	75.51	924.49
Finance Office	65,000.00	82,500.00	80,322.50	2,177.50
Other	5,000.00	7,500.00	8,256.32	(756.32)
Total General Government	<u>118,000.00</u>	<u>138,000.00</u>	<u>135,191.44</u>	<u>2,808.56</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police	125,775.00	137,962.25	137,556.33	405.92
Fire	16,500.00	16,500.00	16,500.00	
Other Protection	<u>1,500.00</u>	<u>1,500.00</u>	<u>781.76</u>	<u>718.24</u>
Total Public Safety	<u>143,775.00</u>	<u>155,962.25</u>	<u>154,838.09</u>	<u>1,124.16</u>
Public Works:				
Highways and Streets	69,125.00	69,125.00	70,692.61	(1,567.61)
Transit	<u>9,500.00</u>	<u>9,500.00</u>	<u>8,200.00</u>	<u>1,300.00</u>
Total Public Works	<u>78,625.00</u>	<u>78,625.00</u>	<u>78,892.61</u>	<u>(267.61)</u>
Health and Welfare:				
Ambulance	<u>500.00</u>	<u>500.00</u>	<u>330.64</u>	<u>169.36</u>
Total Health and Welfare	<u>500.00</u>	<u>500.00</u>	<u>330.64</u>	<u>169.36</u>
Culture and Recreation:				
Recreation	31,000.00	31,000.00	30,961.73	38.27
Parks	5,500.00	5,500.00	5,804.77	(304.77)
Libraries	23,435.00	23,435.00	20,621.41	2,813.59
Auditorium	11,800.00	11,800.00	12,624.33	(824.33)
Liquor Store	<u>6,000.00</u>	<u>6,000.00</u>	<u>5,968.27</u>	<u>31.73</u>
Total Culture and Recreation	<u>77,735.00</u>	<u>77,735.00</u>	<u>75,980.51</u>	<u>1,754.49</u>
Total Expenditures	<u>418,635.00</u>	<u>450,822.25</u>	<u>445,233.29</u>	<u>5,588.96</u>
Excess of Revenue Over (Under) Expenditures	(4,885.00)	(14,535.00)	646.45	15,181.45
Other Financing Sources (Uses):				
Sale of Municipal Property		2,300.00	2,386.00	86.00
Transfers In		<u>7,350.00</u>	<u>7,350.00</u>	
Net Change in Fund Balances	(4,885.00)	(4,885.00)	10,382.45	15,267.45
Fund Balance - Beginning	<u>(32,923.63)</u>	<u>(32,923.63)</u>	<u>(32,923.63)</u>	
FUND BALANCE - ENDING	<u>\$ (37,808.63)</u>	<u>\$ (37,808.63)</u>	<u>\$ (22,541.18)</u>	<u>\$ 15,267.45</u>

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - CDBG FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	\$ 8,057.47	\$ 8,057.47	\$ 1,221.24	\$ (6,836.23)
Total Revenue	<u>8,057.47</u>	<u>8,057.47</u>	<u>1,221.24</u>	<u>(6,836.23)</u>
Expenditures:				
Economic Development		30,000.00		30,000.00
Total Expenditures		<u>30,000.00</u>		<u>30,000.00</u>
Net Change in Fund Balances	8,057.47	(21,942.53)	1,221.24	23,163.77
Fund Balance - Beginning	<u>128,730.24</u>	<u>128,730.24</u>	<u>128,730.24</u>	
FUND BALANCE - ENDING	<u>\$ 136,787.71</u>	<u>\$106,787.71</u>	<u>\$129,951.48</u>	<u>\$ 23,163.77</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CITY OF ALCESTER
BUDGETARY BASIS COMPARISON SCHEDULE
SPECIAL REVENUE FUND - 2nd CENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 107,000.00	\$ 132,000.00	\$ 91,889.91	\$ (40,110.09)
Total Revenue	<u>107,000.00</u>	<u>132,000.00</u>	<u>91,889.91</u>	<u>(40,110.09)</u>
Expenditures:				
Public Works:				
Highways and Streets	20,000.00	20,000.00	17,931.80	2,068.20
Culture and Recreation:				
Libraries	5,000.00	5,000.00	5,000.00	
Debt Service	<u>71,816.02</u>	<u>96,816.02</u>	<u>68,302.55</u>	<u>28,513.47</u>
Total Expenditures	<u>96,816.02</u>	<u>121,816.02</u>	<u>91,234.35</u>	<u>30,581.67</u>
Net Change in Fund Balances	10,183.98	10,183.98	655.56	(9,528.42)
Fund Balance - Beginning	<u>86,395.36</u>	<u>86,395.36</u>	<u>86,395.36</u>	
FUND BALANCE - ENDING	<u>\$ 96,579.34</u>	<u>\$ 96,579.34</u>	<u>\$ 87,050.92</u>	<u>\$ (9,528.42)</u>

Schedule of Required Supplementary Information
CITY OF ALCESTER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0134346%	0.0144053%
City's proportionate share of net pension liability (asset)	\$ (96,791)	\$ (61,097)
City's covered-employee payroll	\$ 255,546	\$ 219,869
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-37.88%	-27.79%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%

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

Schedule of Required Supplementary Information
CITY OF ALCESTER
SCHEDULE OF THE CITY'S CONTRIBUTIONS
South Dakota Retirement System

	2015
Contractually required contribution	<u>\$ 15,167</u>
Contributions in relation to the contractually required contribution	<u>\$ 15,167</u>
Contribution deficiency (excess)	<u><u>\$</u></u>
City's covered-employee payroll	\$ 219,869
Contributions as a percentage of covered-employee payroll	6.90%

CITY OF ALCESTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

Note 1: Budgets and Budgetary Accounting:

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by the resolution of the Governing Board/City Commission 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 the resolution of the Governing Board/City Commission.

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and capital project funds.
7. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (USGAAP).

Note 2: GAAP/ Budgetary Accounting Basis Differences

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

QUAM, BERGLIN & POST, P.C.

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

City Council
City of Alcester
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alcester, South Dakota, as of December 31, 2015 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 of Alcester's basic financial statements and have issued our report thereon dated September 15, 2016. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these components units was not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alcester'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 of Alcester's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alcester's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Prior and Current Audit Findings as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alcester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Prior and Current Audit Findings as item 2015-002.

Alcester's Response to Findings

The City of Alcester's responses to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings. The City of Alcester'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

September 15, 2016

**CITY OF ALCESTER
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS**

STATUS OF PRIOR AUDIT RECOMMENDATIONS:

The prior audit recommendation 2013-01 and 2013-02 have not been corrected and are restated as Current Audit Finding Numbers 2015-001 and 2015-002.

The prior audit recommendations 2013-03 and 2013-04 have been corrected.

CURRENT AUDIT FINDING:

Internal Control Related Finding – Material Weakness:

Audit Finding Number 2015-001:

The City of Alcester does not have an adequate segregation of duties for revenues, expenditures, and payroll, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Criteria:

In order to achieve proper internal control, it is necessary to have a segregation of duties provided between performance, review and record keeping of the tasks related to revenues, expenditures and payroll. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition Found:

A material weakness in internal controls was reported due to a lack of adequate segregation of duties for revenues, expenditures, and payroll resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendation:

We recommend the City officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever, and wherever possible and practical.

Compliance Related Findings:

Audit Finding Number 2015-002:

Expenditures were paid in excess of appropriations for some departments.

Criteria:

SDCL 9-21-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided.

Condition Found:

In 2015, the expenditures paid from the General Fund exceeded the total amount budgeted for the Finance Office by \$19,559.59.

Recommendation:

We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Corrective Action Plan:

Patricia Jurrens, Finance Officer for the City of Alcester, is the contact person responsible for the corrective action plan for these comments. The City Council has prepared responses to the findings, which are on page 67.

CITY OF ALCESTER
ALCESTER, SD 57001

CORRECTIVE PLAN OF ACTION
FOR THE TWO YEARS ENDED DECEMBER 31, 2015

The City of Alcester has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time it is not cost efficient for the City of Alcester to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the City of Alcester to decrease the likelihood that financial data is adversely affected.

The City of Alcester will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allows.

The City of Alcester will monitor the budgets of each fund more closely to insure that overspending does not occur.

In the future, when monitoring the budgets, if the expenditures are anticipated to exceed the annual appropriation, the City of Alcester will adopt a supplemental appropriation to utilize unobligated fund balances.



Mayor



Finance Officer