

**MUNICIPALITY OF BALTIC  
BALTIC, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2014 TO DECEMBER 31, 2014  
AND  
FOR THE YEAR JANUARY 1, 2015 TO DECEMBER 31, 2015**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF BALTIC

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2015

MAYOR:

Michael Wendland

GOVERNING BOARD:

Calvin Whiting, President  
Ron Jenks, Vice-President  
Chris Drayer  
Scott Grunewaldt

FINANCE OFFICER:

Julia Hoefert

ATTORNEY:

John Hughes

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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

Municipal Council  
Municipality of Baltic  
Baltic, 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, business-type activities, and each major fund of the Municipality of Baltic, South Dakota, as of December 31, 2015, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 27, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are

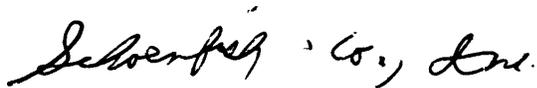
required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2015-002.

#### Municipality's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
July 27, 2016

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2015-001.

Finding Number 2013-002:

Expenditures were in excess of the amounts budgeted for the General Fund in 2012. This comment has not been corrected and a similar comment is restated as current audit finding number 2015-002.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control - Related Findings – Material Weaknesses:Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the eighth consecutive audit in which a similar finding has occurred.

Criteria:

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

Condition:

The office personnel process all revenue transactions from beginning to end. The office personnel also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Recommendation:

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

Management's Response:

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

Compliance – Related Findings:Finding Number 2015-002:

Expenditures exceeded the amounts budgeted in the General Fund and the Third Penny Fund in 2014 and 2015. This is the second consecutive audit in which a similar comment has occurred.

Criteria:

SDCL 9-21-2 states in part, "The governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality." Also, SDCL 9-21-9 states, "Neither the governing body nor any department or office of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

especially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.”

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority.

Recommendation:

2. We recommend that the expenditures be limited to amounts budgeted or budget supplements be made in accordance with SDCL 9-21-7 and SDCL 9-21-6.1 to allow for expenditures.

Management’s Response:

The Municipality of Baltic Mayor, Michael Wendland, is the contact person responsible for the response for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the mayor, governing board, finance officer and two other employees on August 9, 2016.

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INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Baltic  
Baltic, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund Municipality of Baltic, South Dakota, (Municipality) 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 Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

fund of the Municipality of Baltic as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

*Adoption of New Accounting Standard.* As described in Note 12 to the financial statements, the Municipality 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 Note 12 to the financial statements, the Municipality has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions on pages 52 through 61, 63, and 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.  
 Certified Public Accountants  
 July 27, 2016

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**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION**  
**December 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	547,016.89	378,928.55	925,945.44
Investments		32,808.76	32,808.76
Accounts Receivable, Net	11,493.12		11,493.12
Restricted Assets:			
Cash and Cash Equivalents	10,975.31		10,975.31
Net Pension Asset	16,707.04	16,397.06	33,104.10
Capital Assets:			
Land	479,978.20	127,301.37	607,279.57
Other Capital Assets, Net of Depreciation	1,907,039.98	2,944,741.71	4,851,781.69
<b>TOTAL ASSETS</b>	<b>2,973,210.54</b>	<b>3,500,177.45</b>	<b>6,473,387.99</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	29,708.12	29,156.88	58,865.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,708.12</b>	<b>29,156.88</b>	<b>58,865.00</b>
<b>LIABILITIES :</b>			
Other Current Liabilities	7,381.33	22,490.00	29,871.33
Unearned Revenue		556.63	556.63
Noncurrent Liabilities:			
Due Within One Year	45,355.10	92,014.31	137,369.41
Due in More than One Year	48,487.12	1,527,251.35	1,575,738.47
<b>TOTAL LIABILITIES</b>	<b>101,223.55</b>	<b>1,642,312.29</b>	<b>1,743,535.84</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	24,651.56	24,194.16	48,845.72
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>24,651.56</b>	<b>24,194.16</b>	<b>48,845.72</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,301,147.36	1,459,807.88	3,760,955.24
Restricted for:			
Capital Projects Purposes	447,353.19		447,353.19
Economic Development Purposes	8,630.82		8,630.82
SDRS Pension Purposes	21,763.60	21,359.78	43,123.38
Park Purposes	266.63		266.63
Cumulative Insurance Reserve	10,975.31		10,975.31
Unrestricted (Deficit)	86,906.64	381,660.22	468,566.86
<b>TOTAL NET POSITION</b>	<b>2,877,043.55</b>	<b>1,862,827.88</b>	<b>4,739,871.43</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	87,272.07	28,947.07			(58,325.00)		(58,325.00)
Public Safety	77,812.49	180.00			(77,632.49)		(77,632.49)
Public Works	293,472.51	96,735.20	24,500.89	24,888.60	(147,347.82)		(147,347.82)
Health and Welfare	6,357.97	5,432.19	1,185.00		259.22		259.22
Culture and Recreation	123,793.58	16,097.85	26,327.60		(81,368.13)		(81,368.13)
Conservation and Development	2,600.00				(2,600.00)		(2,600.00)
Miscellaneous	4,087.60	84,294.43			80,206.83		80,206.83
*Interest on Long-term Debt	3,749.62				(3,749.62)		(3,749.62)
<b>Total Governmental Activities</b>	<b>599,145.84</b>	<b>231,686.74</b>	<b>52,013.49</b>	<b>24,888.60</b>	<b>(290,557.01)</b>		<b>(290,557.01)</b>
Business-type Activities:							
Water	168,950.19	181,971.26				13,021.07	13,021.07
Sewer	159,680.31	155,722.74				(3,957.57)	(3,957.57)
<b>Total Business-type Activities</b>	<b>328,630.50</b>	<b>337,694.00</b>	<b>0.00</b>	<b>0.00</b>		<b>9,063.50</b>	<b>9,063.50</b>
<b>Total Primary Government</b>	<b>927,776.34</b>	<b>569,380.74</b>	<b>52,013.49</b>	<b>24,888.60</b>	<b>(290,557.01)</b>	<b>9,063.50</b>	<b>(281,493.51)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					171,649.01		171,649.01
Sales Taxes					142,002.30		142,002.30
State Shared Revenues					13,920.55		13,920.55
Grants and Contributions not Restricted to Specific Programs					636.98		636.98
Unrestricted Investment Earnings					31.71	8.44	40.15
Miscellaneous Revenue					6,367.38	3,982.50	10,349.88
<b>Total General Revenues</b>					<b>334,607.93</b>	<b>3,990.94</b>	<b>338,598.87</b>
<b>Change in Net Position</b>					<b>44,050.92</b>	<b>13,054.44</b>	<b>57,105.36</b>
<b>Net Position - Beginning</b>					<b>2,813,792.05</b>	<b>1,830,929.12</b>	<b>4,644,721.17</b>
Adjustments:							
GASB 68 Implementation (See Note 12)					19,200.58	18,844.32	38,044.90
<b>Adjusted Net Assets-Beginning</b>					<b>2,832,992.63</b>	<b>1,849,773.44</b>	<b>4,682,766.07</b>
<b>NET POSITION - ENDING</b>					<b>2,877,043.55</b>	<b>1,862,827.88</b>	<b>4,739,871.43</b>

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

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

**MUNICIPALITY OF BALTIC  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015**

	<b>General Fund</b>	<b>Park Fund</b>	<b>Third Penny Sales Tax Fund</b>	<b>Street Assessment Fund</b>	<b>Street Capital Projects Fund</b>	<b>Building Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>							
Cash and Cash Equivalents	90,766.25	266.63	8,630.82	19,738.17	237,877.47	189,737.55	547,016.89
Taxes Receivable--Delinquent	1,643.54						1,643.54
Accounts Receivable, Net	9,656.48						9,656.48
Special Assessments Receivable--Delinquent				193.10			193.10
Deposits	10,975.31						10,975.31
<b>TOTAL ASSETS</b>	<b>113,041.58</b>	<b>266.63</b>	<b>8,630.82</b>	<b>19,931.27</b>	<b>237,877.47</b>	<b>189,737.55</b>	<b>569,485.32</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
Liabilities:							
Due to State Government	430.85						430.85
Accrued Wages Payable	6,950.48						6,950.48
<b>Total Liabilities</b>	<b>7,381.33</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,381.33</b>
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	1,643.54						1,643.54
Unavailable Revenue--Special Assessments				193.10			193.10
<b>Total Deferred Inflows of Resources</b>	<b>1,643.54</b>	<b>0.00</b>	<b>0.00</b>	<b>193.10</b>	<b>0.00</b>	<b>0.00</b>	<b>1,836.64</b>
Fund Balances:							
Nonspendable - Cumulative Insurance Reserve	10,975.31						10,975.31
Restricted for Park Improvements		266.63					266.63
Restricted for Economic Development			8,630.82				8,630.82
Restricted for Capital Projects				19,738.17	237,877.47	189,737.55	447,353.19
Assigned for Next Year's Budget	45,440.46						45,440.46
Unassigned	47,600.94						47,600.94
<b>Total Fund Balances</b>	<b>104,016.71</b>	<b>266.63</b>	<b>8,630.82</b>	<b>19,738.17</b>	<b>237,877.47</b>	<b>189,737.55</b>	<b>560,267.35</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>113,041.58</b>	<b>266.63</b>	<b>8,630.82</b>	<b>19,931.27</b>	<b>237,877.47</b>	<b>189,737.55</b>	<b>569,485.32</b>

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

**MUNICIPALITY OF BALTIC**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2015**

Total Fund Balances - Governmental Funds	<u>560,267.35</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>16,707.04</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,387,018.18</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>29,708.12</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(93,842.22)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>1,836.64</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(24,651.56)</u>
Net Position - Governmental Activities	<u><u>2,877,043.55</u></u>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Street Assessment Fund</u>	<u>Street Capital Projects Fund</u>	<u>Building Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>							
Taxes:							
General Property Taxes	171,177.57						171,177.57
General Sales and Use Taxes	104,260.54		2,988.33		34,753.43		142,002.30
Amusement Taxes	60.00						60.00
Penalties and Interest on Delinquent Taxes	256.81						256.81
Licenses and Permits	8,710.50						8,710.50
Intergovernmental Revenue:							
State Grants	1,185.00						1,185.00
State Shared Revenue:							
Bank Franchise Tax	7,148.79						7,148.79
Prorate License Fees	950.04						950.04
Liquor Tax Reversion	6,771.76						6,771.76
Motor Vehicle Licenses	8,534.30						8,534.30
Local Government Highway and Bridge Fund	13,252.88						13,252.88
County Shared Revenue:							
County Wheel Tax	1,763.67						1,763.67
Charges for Goods and Services:							
General Government	316.57						316.57
Highways and Streets	4,218.75						4,218.75
Sanitation	92,516.45						92,516.45
Health	5,432.19						5,432.19
Culture and Recreation	16,097.85						16,097.85
Fines and Forfeits:							
Court Fines and Costs	180.00						180.00
Miscellaneous Revenue:							
Investment Earnings	2.22		1.31		18.97	9.21	31.71
Rentals	39,300.00						39,300.00
Maintenance Assessments				24,800.70			24,800.70
Contributions and Donations from Private Sources	26,964.58						26,964.58
Liquor Operating Agreement Income	5,914.43						5,914.43
Other	6,367.38						6,367.38

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Street Assessment Fund</u>	<u>Street Capital Projects Fund</u>	<u>Building Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Total Revenue	521,382.28	0.00	2,989.64	24,800.70	34,772.40	9.21	583,954.23
<b>Expenditures:</b>							
General Government:							
Legislative	39,990.31						39,990.31
Financial Administration	34,466.56						34,466.56
Other	12,070.86						12,070.86
Total General Government	86,527.73	0.00	0.00	0.00	0.00	0.00	86,527.73
Public Safety:							
Police	58,058.00						58,058.00
Fire	16,000.00						16,000.00
Protective Inspection	2,661.05						2,661.05
Other Protection	1,093.44						1,093.44
Total Public Safety	77,812.49	0.00	0.00	0.00	0.00	0.00	77,812.49
Public Works:							
Highways and Streets	84,946.31			30,521.78			115,468.09
Sanitation	65,997.30						65,997.30
Total Public Works	150,943.61	0.00	0.00	30,521.78	0.00	0.00	181,465.39
Health and Welfare:							
Health	2,357.97						2,357.97
Ambulance	4,000.00						4,000.00
Total Health and Welfare	6,357.97	0.00	0.00	0.00	0.00	0.00	6,357.97
Culture and Recreation:							
Recreation	6,000.00						6,000.00
Parks	82,020.69		7,375.00				89,395.69
Libraries	1,553.49						1,553.49
Total Culture and Recreation	89,574.18	0.00	7,375.00	0.00	0.00	0.00	96,949.18
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	2,600.00						2,600.00
Total Conservation and Development	2,600.00	0.00	0.00	0.00	0.00	0.00	2,600.00

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2015**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>							
Debt Service	42,673.95	0.00	0.00	0.00	0.00	0.00	42,673.95
Miscellaneous:							
Liquor Operating Agreements	3,665.31						3,665.31
Total Miscellaneous	3,665.31	0.00	0.00	0.00	0.00	0.00	3,665.31
Total Expenditures	460,155.24	0.00	7,375.00	30,521.78	0.00	0.00	498,052.02
Excess of Revenue Over (Under) Expenditures	61,227.04	0.00	(4,385.36)	(5,721.08)	34,772.40	9.21	85,902.21
<b>Other Financing Sources (Uses):</b>							
Transfers In						90,400.00	90,400.00
Sale of Municipal Property	59,000.00						59,000.00
Transfers Out	(77,900.00)				(12,500.00)		(90,400.00)
Total Other Financing Sources (Uses)	(18,900.00)	0.00	0.00	0.00	(12,500.00)	90,400.00	59,000.00
Net Change in Fund Balances	42,327.04	0.00	(4,385.36)	(5,721.08)	22,272.40	90,409.21	144,902.21
Fund Balance - Beginning	61,689.67	266.63	13,016.18	25,459.25	215,605.07	99,328.34	415,365.14
<b>FUND BALANCE - ENDING</b>	<u>104,016.71</u>	<u>266.63</u>	<u>8,630.82</u>	<u>19,738.17</u>	<u>237,877.47</u>	<u>189,737.55</u>	<u>560,267.35</u>

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

**MUNICIPALITY OF BALTIC**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

Net Change in Fund Balances - Total Governmental Funds	<u>144,902.21</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(103,403.50)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(37,988.95)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>38,924.33</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>154.63</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>87.90</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(1,188.72)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>2,563.02</u>
Change in Net Position of Governmental Activities	<u><u>44,050.92</u></u>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	260,969.60	117,958.95	378,928.55
Accounts Receivable, Net	16,372.82	14,435.94	30,808.76
Due from Other Government		2,000.00	2,000.00
Total Current Assets	277,342.42	134,394.89	411,737.31
Noncurrent Assets:			
Net Pension Asset	8,198.53	8,198.53	16,397.06
Capital Assets:			
Land	30,816.00	96,485.37	127,301.37
Improvements Other Than Buildings	1,472,324.43	2,250,022.15	3,722,346.58
Machinery and Equipment		28,500.23	28,500.23
Less: Accumulated Depreciation	(348,124.70)	(457,980.40)	(806,105.10)
Total Noncurrent Assets	1,163,214.26	1,925,225.88	3,088,440.14
<b>TOTAL ASSETS</b>	<b>1,440,556.68</b>	<b>2,059,620.77</b>	<b>3,500,177.45</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	14,578.44	14,578.44	29,156.88
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,578.44</b>	<b>14,578.44</b>	<b>29,156.88</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Customer Deposits	22,490.00		22,490.00
Unearned Revenue	556.63		556.63
Bonds Payable Current:			
Revenue	44,297.07	42,717.24	87,014.31
Compensated Absences Payable -- Current	2,500.00	2,500.00	5,000.00
Total Current Liabilities	69,843.70	45,217.24	115,060.94
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	562,041.59	963,179.30	1,525,220.89
Accrued Leave Payable	1,015.23	1,015.23	2,030.46
Total Noncurrent Liabilities	563,056.82	964,194.53	1,527,251.35
<b>TOTAL LIABILITIES</b>	<b>632,900.52</b>	<b>1,009,411.77</b>	<b>1,642,312.29</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	12,097.08	12,097.08	24,194.16
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>12,097.08</b>	<b>12,097.08</b>	<b>24,194.16</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	548,677.07	911,130.81	1,459,807.88
Restricted For:			
SDRS Pension Purposes	10,679.89	10,679.89	21,359.78
Unrestricted Net Position	250,780.56	130,879.66	381,660.22
<b>TOTAL NET POSITION</b>	<b>810,137.52</b>	<b>1,052,690.36</b>	<b>1,862,827.88</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	181,971.26	155,722.74	337,694.00
Total Operating Revenue	181,971.26	155,722.74	337,694.00
<b>Operating Expenses:</b>			
Personal Services	43,928.94	43,928.66	87,857.60
Other Current Expense	23,348.01	30,081.16	53,429.17
Materials (Cost of Goods Sold)	38,758.75		38,758.75
Depreciation	43,983.55	51,918.14	95,901.69
Total Operating Expenses	150,019.25	125,927.96	275,947.21
Operating Income (Loss)	31,952.01	29,794.78	61,746.79
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings		8.44	8.44
Interest Expense	(18,930.94)	(33,752.35)	(52,683.29)
Other		3,982.50	3,982.50
Total Nonoperating Revenue (Expense)	(18,930.94)	(29,761.41)	(48,692.35)
Change in Net Position	13,021.07	33.37	13,054.44
Net Position - Beginning	787,694.29	1,043,234.83	1,830,929.12
Adjustments:			
GASB 68 Implementation (See Note 12)	9,422.16	9,422.16	18,844.32
Adjusted Net Assets - Beginning	797,116.45	1,052,656.99	1,849,773.44
<b>NET POSITION - ENDING</b>	<b>810,137.52</b>	<b>1,052,690.36</b>	<b>1,862,827.88</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2015**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	181,772.69	153,617.46	335,390.15
Cash Payments to Employees for Services	(45,595.65)	(45,595.37)	(91,191.02)
Cash Payments to Suppliers of Goods and Services	(62,106.76)	(30,081.16)	(92,187.92)
Net Cash Provided (Used) by Operating Activities	<u>74,070.28</u>	<u>77,940.93</u>	<u>152,011.21</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund Loan	4,095.02	(4,095.02)	0.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,095.02</u>	<u>(4,095.02)</u>	<u>0.00</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Paid on Capital Debt	(43,035.02)	(41,320.29)	(84,355.31)
Interest Paid on Capital Debt	(18,930.94)	(33,752.35)	(52,683.29)
Other Receipts		3,982.50	3,982.50
Net Cash (Used) by Capital and Related Financing Activities	<u>(61,965.96)</u>	<u>(71,090.14)</u>	<u>(133,056.10)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash Received for Interest		8.44	8.44
Net Cash Provided by Investing Activities	<u>0.00</u>	<u>8.44</u>	<u>8.44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>16,199.34</u>	<u>2,764.21</u>	<u>18,963.55</u>
Balances - Beginning	244,770.26	115,194.74	359,965.00
Balances - Ending	<u>260,969.60</u>	<u>117,958.95</u>	<u>378,928.55</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	31,952.01	29,794.78	61,746.79
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	43,983.55	51,918.14	95,901.69
(Increase) decrease in Receivables	(3,290.20)	(2,105.28)	(5,395.48)
Net Change in Pension Plan	(1,257.73)	(1,257.73)	(2,515.46)
(Decrease) increase in Accrued Leave Payable	(408.98)	(408.98)	(817.96)
Increase in Unearned Revenue	556.63		556.63
Increase in Customer Deposits	2,535.00		2,535.00
Net Cash Provided (Used) by Operating Activities	<u>74,070.28</u>	<u>77,940.93</u>	<u>152,011.21</u>

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

**MUNICIPALITY OF BALTIC  
STATEMENT OF NET POSITION  
December 31, 2014**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	410,564.10	359,965.00	770,529.10
Accounts Receivable, Net	8,955.34	27,413.28	36,368.62
Restricted Assets:			
Cash and Cash Equivalents	10,975.31		10,975.31
Capital Assets:			
Land	492,499.21	127,301.37	619,800.58
Other Capital Assets, Net of Depreciation	2,035,911.42	3,040,643.40	5,076,554.82
<b>TOTAL ASSETS</b>	<b>2,958,905.38</b>	<b>3,555,323.05</b>	<b>6,514,228.43</b>
<b>LIABILITIES :</b>			
Accounts Payable	8,535.50		8,535.50
Other Current Liabilities	5,000.00	19,955.00	24,955.00
Noncurrent Liabilities:			
Due Within One Year	42,424.33	88,355.21	130,779.54
Due in More than One Year	89,153.50	1,616,083.72	1,705,237.22
<b>TOTAL LIABILITIES</b>	<b>145,113.33</b>	<b>1,724,393.93</b>	<b>1,869,507.26</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,403,615.48	1,471,354.26	3,874,969.74
Restricted for:			
Capital Projects Purposes	340,572.35		340,572.35
Economic Development Purposes	13,016.18		13,016.18
Park Purposes	266.63		266.63
Cumulative Insurance Reserve	10,975.31		10,975.31
Unrestricted (Deficit)	45,346.10	359,574.86	404,920.96
<b>TOTAL NET POSITION</b>	<b>2,813,792.05</b>	<b>1,830,929.12</b>	<b>4,644,721.17</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	108,097.95	24,719.42			(83,378.53)		(83,378.53)
Public Safety	80,712.40	77.00			(80,635.40)		(80,635.40)
Public Works	238,487.82	91,815.03	23,397.98	20,178.33	(103,096.48)		(103,096.48)
Health and Welfare	3,595.82	4,949.97	1,413.00		2,767.15		2,767.15
Culture and Recreation	96,425.73	17,788.11			(78,637.62)		(78,637.62)
Conservation and Development	2,575.00				(2,575.00)		(2,575.00)
Miscellaneous Expenditures	13,139.64	31,823.31			18,683.67		18,683.67
*Interest on Long-term Debt	4,637.93				(4,637.93)		(4,637.93)
<b>Total Governmental Activities</b>	<b>547,672.29</b>	<b>171,172.84</b>	<b>24,810.98</b>	<b>20,178.33</b>	<b>(331,510.14)</b>		<b>(331,510.14)</b>
Business-type Activities:							
Water	172,858.73	186,671.29				13,812.56	13,812.56
Sewer	171,740.44	161,917.73				(9,822.71)	(9,822.71)
<b>Total Business-type Activities</b>	<b>344,599.17</b>	<b>348,589.02</b>	<b>0.00</b>	<b>0.00</b>		<b>3,989.85</b>	<b>3,989.85</b>
<b>Total Primary Government</b>	<b>892,271.46</b>	<b>519,761.86</b>	<b>24,810.98</b>	<b>20,178.33</b>	<b>(331,510.14)</b>	<b>3,989.85</b>	<b>(327,520.29)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					169,784.30		169,784.30
Sales Taxes					139,981.65		139,981.65
State Shared Revenues					13,419.28		13,419.28
Grants and Contributions not Restricted to Specific Programs					7,250.00		7,250.00
Unrestricted Investment Earnings					52.61		52.61
Miscellaneous Revenue					6,342.70		6,342.70
<b>Total General Revenues</b>					<b>336,830.54</b>	<b>0.00</b>	<b>336,830.54</b>
<b>Change in Net Position</b>					<b>5,320.40</b>	<b>3,989.85</b>	<b>9,310.25</b>
<b>Net Position - Beginning</b>					<b>2,808,471.65</b>	<b>1,826,939.27</b>	<b>4,635,410.92</b>
<b>NET POSITION - ENDING</b>					<b>2,813,792.05</b>	<b>1,830,929.12</b>	<b>4,644,721.17</b>

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

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

**MUNICIPALITY OF BALTIC  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2014**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	56,888.63	266.63	13,016.18	25,459.25	215,605.07	99,328.34	410,564.10
Taxes Receivable--Delinquent	1,488.91						1,488.91
Accounts Receivable, Net	7,361.23						7,361.23
Special Assessments Receivable--Delinquent				105.20			105.20
Deposits	10,975.31						10,975.31
<b>TOTAL ASSETS</b>	<b>76,714.08</b>	<b>266.63</b>	<b>13,016.18</b>	<b>25,564.45</b>	<b>215,605.07</b>	<b>99,328.34</b>	<b>430,494.75</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>							
Liabilities:							
Accounts Payable	8,535.50						8,535.50
Customer Deposits	5,000.00						5,000.00
<b>Total Liabilities</b>	<b>13,535.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>13,535.50</b>
Deferred Inflows of Resources:							
Unavailable Revenue--Property Taxes	1,488.91						1,488.91
Unavailable Revenue--Special Assessments				105.20			105.20
<b>Total Deferred Inflows of Resources</b>	<b>1,488.91</b>	<b>0.00</b>	<b>0.00</b>	<b>105.20</b>	<b>0.00</b>	<b>0.00</b>	<b>1,594.11</b>
Fund Balances:							
Nonspendable - Cumulative Insurance Reserve	10,975.31						10,975.31
Restricted for Park Improvements		266.63					266.63
Restricted for Economic Development			13,016.18				13,016.18
Restricted for Capital Projects				25,459.25	215,605.07	99,328.34	340,392.66
Assigned for Next Year's Budget	19,198.00						19,198.00
Unassigned	31,516.36						31,516.36
<b>Total Fund Balances</b>	<b>61,689.67</b>	<b>266.63</b>	<b>13,016.18</b>	<b>25,459.25</b>	<b>215,605.07</b>	<b>99,328.34</b>	<b>415,365.14</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>76,714.08</b>	<b>266.63</b>	<b>13,016.18</b>	<b>25,564.45</b>	<b>215,605.07</b>	<b>99,328.34</b>	<b>430,494.75</b>

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

**MUNICIPALITY OF BALTIC**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2014**

Total Fund Balances - Governmental Funds	<u>415,365.14</u>
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.	<u>2,528,410.63</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(131,577.83)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>1,594.11</u>
Net Position - Governmental Activities	<u><u>2,813,792.05</u></u>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Street Assessment Fund</u>	<u>Street Capital Projects Fund</u>	<u>Building Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>							
Taxes:							
General Property Taxes	169,447.58						169,447.58
General Sales and Use Taxes	104,190.31		1,061.19		34,730.15		139,981.65
Penalties and Interest on Delinquent Taxes	245.01						245.01
Licenses and Permits	4,856.37						4,856.37
Intergovernmental Revenue:							
State Grants	1,413.00						1,413.00
State Shared Revenue:							
Bank Franchise Tax	7,810.84						7,810.84
Motor Vehicle Commercial Prorate	932.67						932.67
Liquor Tax Reversion	5,608.44						5,608.44
Motor Vehicle Licenses	7,696.68						7,696.68
Local Government Highway and Bridge Fund	13,047.86						13,047.86
County Shared Revenue:							
County Wheel Tax	1,720.77						1,720.77
Charges for Goods and Services:							
General Government	200.43						200.43
Highways and Streets	315.00						315.00
Sanitation	91,500.03						91,500.03
Health	4,949.97						4,949.97
Culture and Recreation	17,788.11						17,788.11
Fines and Forfeits:							
Court Fines and Costs	77.00						77.00

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Revenues (Continued):</b>							
Miscellaneous Revenue:							
Investment Earnings	3.68	0.04	2.20		32.17	14.52	52.61
Rentals	19,662.62						19,662.62
Maintenance Assessments				20,107.41			20,107.41
Contributions and Donations from Private Sources	7,250.00						7,250.00
Liquor Operating Agreement Income	31,823.31						31,823.31
Other	5,872.50						5,872.50
<b>Total Revenue</b>	<b>496,412.18</b>	<b>0.04</b>	<b>1,063.39</b>	<b>20,107.41</b>	<b>34,762.32</b>	<b>14.52</b>	<b>552,359.86</b>
<b>Expenditures:</b>							
General Government:							
Legislative	51,899.85						51,899.85
Elections	90.68						90.68
Financial Administration	40,209.45						40,209.45
Other	14,127.16						14,127.16
<b>Total General Government</b>	<b>106,327.14</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>106,327.14</b>
Public Safety:							
Police	56,966.00						56,966.00
Fire	16,000.00						16,000.00
Protective Inspection	2,407.42						2,407.42
Other Protection	5,338.98						5,338.98
<b>Total Public Safety</b>	<b>80,712.40</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>80,712.40</b>
Public Works:							
Highways and Streets	85,136.34			16,688.30			101,824.64
Sanitation	67,640.03						67,640.03
<b>Total Public Works</b>	<b>152,776.37</b>	<b>0.00</b>	<b>0.00</b>	<b>16,688.30</b>	<b>0.00</b>	<b>0.00</b>	<b>169,464.67</b>
Health and Welfare:							
Health	3,595.82						3,595.82
<b>Total Health and Welfare</b>	<b>3,595.82</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,595.82</b>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2014**

	General Fund	Park Fund	Third Penny Sales Tax Fund	Street Assessment Fund	Street Capital Projects Fund	Building Capital Projects Fund	Total Governmental Funds
<b>Expenditures (Continued):</b>							
Culture and Recreation:							
Recreation	799.51		2,850.00				3,649.51
Parks	63,401.87						63,401.87
Libraries	2,186.68						2,186.68
Total Culture and Recreation	66,388.06	0.00	2,850.00	0.00	0.00	0.00	69,238.06
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	2,575.00						2,575.00
Total Conservation and Development	2,575.00	0.00	0.00	0.00	0.00	0.00	2,575.00
Debt Service	51,855.15	0.00	0.00	0.00	0.00	0.00	51,855.15
Capital Outlay	56,584.00	0.00	0.00	0.00	0.00	0.00	56,584.00
Miscellaneous:							
Liquor Operating Agreements	11,435.04						11,435.04
Total Miscellaneous	11,435.04	0.00	0.00	0.00	0.00	0.00	11,435.04
Total Expenditures	532,248.98	0.00	2,850.00	16,688.30	0.00	0.00	551,787.28
Excess of Revenue Over (Under) Expenditures	(35,836.80)	0.04	(1,786.61)	3,419.11	34,762.32	14.52	572.58
<b>Other Financing Sources (Uses):</b>							
Transfers In						6,010.00	6,010.00
Sale of Municipal Property	470.20						470.20
Long-Term Debt Issued	48,001.00						48,001.00
Transfers Out					(6,010.00)		(6,010.00)
Total Other Financing Sources (Uses)	48,471.20	0.00	0.00	0.00	(6,010.00)	6,010.00	48,471.20
Net Change in Fund Balances	12,634.40	0.04	(1,786.61)	3,419.11	28,752.32	6,024.52	49,043.78
Fund Balance - Beginning	49,055.27	266.59	14,802.79	22,040.14	186,852.75	93,303.82	366,321.36
FUND BALANCE - ENDING	61,689.67	266.63	13,016.18	25,459.25	215,605.07	99,328.34	415,365.14

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

**MUNICIPALITY OF BALTIC**  
**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	<u>49,043.78</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>56,584.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(102,707.62)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>47,217.22</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(48,001.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>91.71</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>70.92</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds . In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>3,021.39</u>
Change in Net Position of Governmental Activities	<u><u>5,320.40</u></u>

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

**MUNICIPALITY OF BALTIC**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2014**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	244,770.26	115,194.74	359,965.00
Accounts Receivable, Net	13,082.62	10,330.66	23,413.28
Due from Sewer Fund	4,095.02		4,095.02
Due from Other Government		4,000.00	4,000.00
Total Current Assets	<u>261,947.90</u>	<u>129,525.40</u>	<u>391,473.30</u>
Noncurrent Assets:			
Capital Assets:			
Land	30,816.00	96,485.37	127,301.37
Improvements Other Than Buildings	1,472,324.43	2,250,022.15	3,722,346.58
Machinery and Equipment		28,500.23	28,500.23
Less: Accumulated Depreciation	(304,141.15)	(406,062.26)	(710,203.41)
Total Noncurrent Assets	<u>1,198,999.28</u>	<u>1,968,945.49</u>	<u>3,167,944.77</u>
<b>TOTAL ASSETS</b>	<u><b>1,460,947.18</b></u>	<u><b>2,098,470.89</b></u>	<u><b>3,559,418.07</b></u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Due to Water Fund		4,095.02	4,095.02
Customer Deposits	19,955.00		19,955.00
Bonds Payable Current:			
Revenue	43,035.02	41,320.19	84,355.21
Compensated Absences Payable -- Current	2,000.00	2,000.00	4,000.00
Total Current Liabilities	<u>64,990.02</u>	<u>47,415.21</u>	<u>112,405.23</u>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	606,338.66	1,005,896.64	1,612,235.30
Accrued Leave Payable	1,924.21	1,924.21	3,848.42
Total Noncurrent Liabilities	<u>608,262.87</u>	<u>1,007,820.85</u>	<u>1,616,083.72</u>
<b>TOTAL LIABILITIES</b>	<u><b>673,252.89</b></u>	<u><b>1,055,236.06</b></u>	<u><b>1,728,488.95</b></u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	549,625.60	921,728.66	1,471,354.26
Unrestricted Net Position	238,068.69	121,506.17	359,574.86
<b>TOTAL NET POSITION</b>	<u><b>787,694.29</b></u>	<u><b>1,043,234.83</b></u>	<u><b>1,830,929.12</b></u>

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

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

For the Year Ended December 31, 2014

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	186,671.29	161,917.73	348,589.02
Total Operating Revenue	186,671.29	161,917.73	348,589.02
<b>Operating Expenses:</b>			
Personal Services	44,943.02	44,939.88	89,882.90
Other Current Expense	21,839.42	24,781.31	46,620.73
Materials (Cost of Goods Sold)	34,788.80		34,788.80
Depreciation	43,983.55	51,918.14	95,901.69
Total Operating Expenses	145,554.79	121,639.33	267,194.12
Operating Income (Loss)	41,116.50	40,278.40	81,394.90
<b>Nonoperating Revenue (Expense):</b>			
Interest Expense	(27,303.94)	(50,101.11)	(77,405.05)
Total Nonoperating Revenue (Expense)	(27,303.94)	(50,101.11)	(77,405.05)
Change in Net Position	13,812.56	(9,822.71)	3,989.85
Net Position - Beginning	773,881.73	1,053,057.54	1,826,939.27
<b>NET POSITION - ENDING</b>	787,694.29	1,043,234.83	1,830,929.12

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

**MUNICIPALITY OF BALTIC  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2014**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	180,445.61	155,203.44	335,649.05
Cash Payments to Employees for Services	(46,267.92)	(46,264.78)	(92,532.70)
Cash Payments to Suppliers of Goods and Services	(56,628.22)	(24,781.31)	(81,409.53)
Net Cash Provided (Used) by Operating Activities	<u>77,549.47</u>	<u>84,157.35</u>	<u>161,706.82</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Interfund Loan	5,459.92	(5,459.92)	0.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,459.92</u>	<u>(5,459.92)</u>	<u>0.00</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Paid on Capital Debt	(37,979.61)	(36,505.79)	(74,485.40)
Interest Paid on Capital Debt	(27,303.94)	(50,101.11)	(77,405.05)
Net Cash (Used) by Capital and Related Financing Activities	<u>(65,283.55)</u>	<u>(86,606.90)</u>	<u>(151,890.45)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>17,725.84</u>	<u>(7,909.47)</u>	<u>9,816.37</u>
Balances - Beginning	227,044.42	123,104.21	350,148.63
Balances - Ending	<u>244,770.26</u>	<u>115,194.74</u>	<u>359,965.00</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	41,116.50	40,278.40	81,394.90
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	43,983.55	51,918.14	95,901.69
(Increase) decrease in Receivables	(8,805.68)	(6,714.29)	(15,519.97)
(Decrease) increase in Accrued Leave Payable	(1,324.90)	(1,324.90)	(2,649.80)
Increase in Customer Deposits	2,580.00		2,580.00
Net Cash Provided (Used) by Operating Activities	<u>77,549.47</u>	<u>84,157.35</u>	<u>161,706.82</u>

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

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

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

b. Basis of Presentation:

## Government-wide Financial Statements:

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

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

## Fund Financial Statements:

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**Governmental Funds:**

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

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

Special Park Fund – to account for fees received for park purposes to include golf courses, tennis courts, ball grounds, and other athletic amusements and necessary facilities in connection with the park system. (SDCL 9-38-6) This is a major fund.

Third Penny Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

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

Street Capital Project Fund – to account for financial resources to be used for the construction of streets and municipal improvements. This is a major fund.

Building Capital Projects Fund – to account for financial resources to build a community center. This is a major fund.

**Proprietary Funds:**

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Baltic, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2014 and 2015 are solid waste fees.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

All proprietary funds 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.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance account 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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Government-Wide Statements

Capital assets are recorded at historical cost. 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.

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

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

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

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

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	15-50 yrs.
Buildings	\$ 50,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-20 yrs.
Infrastructure	\$ 5,000.00	Straight-line	15-75 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of SRF loans, financing (capital acquisition) leases, and compensated absences.

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

h. Program Revenues:

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

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

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

k. Cash and Cash Equivalents:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

I. Equity Classifications:

Government-wide Statements:

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

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

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 Municipality classifies governmental fund balances as follows:

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

The Nonspendable Fund Balance is comprised of the following:

- Amount legally or contractually required to be maintained intact such as South Dakota Insurance Reserve.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Park Fund	Private Donations
Third Penny Sales Tax Fund	Sales Tax Revenue
Street Assessment Fund	Maintenance Assessment

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. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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</u> <u>12/31/2014</u>	<u>Year Ended</u> <u>12/31/2015</u>
General Fund:		
Legislative	\$ 2,399.81	
Recreation		\$ 3,000.00
Libraries	186.68	
Debt Service	3,780.15	
Third Penny Fund:		
Parks		\$ 2,225.00
Recreation	\$ 350.00	

The Municipality plans to take the following actions to address these violations: Contingency transfers and supplemental budgets will be used to eliminate this in the future.

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

As of December 31, 2015, the Municipality had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ 588,562.16
Total Investments		<u>\$ 588,562.16</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties.

The net asset value of SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

#### 4. RECEIVABLES AND PAYABLES

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

5. PROPERTY TAXES

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

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

6. CHANGES IN CAPITAL ASSETS

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

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2015
<u>Governmental Activities:</u>				
Capital Assets, not being Depreciated:				
Land	492,499.21		(12,521.01)	479,978.20
Total, not being depreciated	<u>492,499.21</u>	<u>0.00</u>	<u>(12,521.01)</u>	<u>479,978.20</u>
Capital Assets, being Depreciated:				
Buildings	141,689.62		(64,115.65)	77,573.97
Improvements Other Than Buildings	2,581,413.22			2,581,413.22
Machinery and Equipment	<u>374,463.66</u>	<u>63,128.00</u>	<u>(61,761.66)</u>	<u>375,830.00</u>
Total, being Depreciated	<u>3,097,566.50</u>	<u>63,128.00</u>	<u>(125,877.31)</u>	<u>3,034,817.19</u>
Less Accumulated Depreciation for:				
Buildings	(73,548.12)	(4,686.53)	47,445.47	(30,789.18)
Improvements Other Than Buildings	(805,075.93)	(157,593.91)		(962,669.84)
Machinery and Equipment	<u>(136,907.41)</u>	<u>(43,830.68)</u>	<u>46,419.90</u>	<u>(134,318.19)</u>
Total Accumulated Depreciation	<u>(1,015,531.46)</u>	<u>(206,111.12)</u>	<u>93,865.37</u>	<u>(1,127,777.21)</u>
Total Capital Assets, being depreciated, net	<u>2,082,035.04</u>	<u>(142,983.12)</u>	<u>(32,011.94)</u>	<u>1,907,039.98</u>
Governmental Activity Capital Assets, Net	<u>2,574,534.25</u>	<u>(142,983.12)</u>	<u>(44,532.95)</u>	<u>2,387,018.18</u>

Depreciation expense was charged to functions as follows:

	2014	2015
<u>Governmental Activities:</u>		
General Government	1,770.81	2,118.64
Public Works	72,044.54	74,018.17
Culture and Recreation	27,187.67	26,844.40
Miscellaneous Expense	<u>1,704.60</u>	<u>422.29</u>
Total Depreciation Expense - Governmental Activities	<u>102,707.62</u>	<u>103,403.50</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Balance</u> <u>01/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
<u>Business-Type Activities:</u>				
Capital Assets, not being Depreciated:				
Land	127,301.37			127,301.37
Total, not being depreciated	<u>127,301.37</u>	<u>0.00</u>	<u>0.00</u>	<u>127,301.37</u>
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	3,722,346.58			3,722,346.58
Machinery and Equipment	28,500.23			28,500.23
Total, being depreciated	<u>3,750,846.81</u>	<u>0.00</u>	<u>0.00</u>	<u>3,750,846.81</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(610,366.87)	(189,903.38)		(800,270.25)
Machinery and Equipment	<u>(3,934.85)</u>	<u>(1,900.00)</u>		<u>(5,834.85)</u>
Total Accumulated Depreciation	<u>(614,301.72)</u>	<u>(191,803.38)</u>	<u>0.00</u>	<u>(806,105.10)</u>
Total Capital Assets, being depreciated, net	<u>3,136,545.09</u>	<u>(191,803.38)</u>	<u>0.00</u>	<u>2,944,741.71</u>
Business-Type Activity Capital Assets, Net	<u>3,263,846.46</u>	<u>(191,803.38)</u>	<u>0.00</u>	<u>3,072,043.08</u>

Depreciation expense was charged to functions as follows:

<u>Business-Type Activities:</u>	<u>2014</u>	<u>2015</u>
Water	43,983.55	43,983.55
Sewer	51,918.14	51,918.14
Total Depreciation Expense - Business-Type Activities	<u>95,901.69</u>	<u>95,901.69</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Primary Government:					
Governmental Activities:					
Financing (Capital Acquisition) Leases:					
Kinetic # 1	14,882.71		14,882.71	0.00	0.00
Kinetic # 2	80,420.83		39,510.41	40,910.42	20,957.79
John Deere #2	28,707.83		18,762.99	9,944.84	9,944.84
US Bank	0.00	48,001.00	12,985.44	35,015.56	9,452.47
Total Debt	<u>124,011.37</u>	<u>48,001.00</u>	<u>86,141.55</u>	<u>85,870.82</u>	<u>40,355.10</u>
Accrued Compensated Absences- Governmental Funds	9,804.07	6,839.11	8,671.78	7,971.40	5,000.00
Total Governmental Activities	<u>133,815.44</u>	<u>54,840.11</u>	<u>94,813.33</u>	<u>93,842.22</u>	<u>45,355.10</u>
Business-Type Activities:					
State Revolving Fund Loan - Clean Water # 1	242,765.51		40,817.48	201,948.03	21,500.61
State Revolving Fund Loan - Drinking Water # 1	149,611.62		25,154.94	124,456.68	13,250.39
State Revolving Fund Loan - Clean Water # 2	135,942.11		11,966.05	123,976.06	6,256.67
State Revolving Fund Loan - Drinking Water # 2	116,819.67		28,230.54	88,589.13	14,597.49
State Revolving Fund Loan - Clean Water # 3	705,015.00		25,042.55	679,972.45	14,959.97
State Revolving Fund Loan - Drinking Water # 3	420,922.00		27,629.15	393,292.85	16,449.18
Total Debt	<u>1,771,075.91</u>	<u>0.00</u>	<u>158,840.71</u>	<u>1,612,235.20</u>	<u>87,014.31</u>
Accrued Compensated Absences - Business-Type Funds	10,498.22	6,979.76	10,447.52	7,030.46	5,000.00
Total Business-Type Activities	<u>1,781,574.13</u>	<u>6,979.76</u>	<u>169,288.23</u>	<u>1,619,265.66</u>	<u>92,014.31</u>
TOTAL PRIMARY GOVERNMENT	<u>1,915,389.57</u>	<u>61,819.87</u>	<u>264,101.56</u>	<u>1,713,107.88</u>	<u>137,369.41</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

State Revolving Fund Loan - Clean Water # 1:  
State Revolving Fund Loan for Sewer Project \$ 201,948.03  
Interest Rate 3.50%, Maturity January 15, 2024  
Payable from Sewer Fund

State Revolving Fund Loan - Drinking Water # 1:  
State Revolving Fund Loan for Water Project \$ 124,456.68  
Interest Rate 3.50%, Maturity January 15, 2024  
Payable from Water Fund

State Revolving Fund Loan - Clean Water # 2:  
State Revolving Fund Loan for Sewer Project \$ 123,976.06  
Interest Rate 3.00%, Maturity July 15, 2031  
Payable from Sewer Fund

State Revolving Fund Loan - Drinking Water # 2:  
State Revolving Fund Loan for Water Project \$ 88,589.13  
Interest Rate 2.25%, Maturity July 15, 2021  
Payable from Water Fund

State Revolving Fund Loan - Clean Water # 3:  
State Revolving Fund Loan for Sewer Project \$ 679,972.45  
Interest Rate 3.25%, Maturity January 15, 2044  
Payable from Sewer Fund

State Revolving Fund Loan - Drinking Water # 3:  
State Revolving Fund Loan for Water Project \$ 393,292.85  
Interest Rate 3.00%, Maturity January 15, 2034  
Payable from Water Fund

Compensated Absences:  
General Fund \$ 7,971.40  
Water Fund \$ 3,515.23  
Sewer Fund \$ 3,515.23  
Payment to be made by the fund that the payroll  
expenditures are charged to.

Financing (Capital Acquisition) Leases:  
John Deere # 2 - Lease Payable for Wheel Loader, \$ 9,944.84  
Interest Rate 3.90%, Maturity October 13, 2016  
Payable from General Fund

Kinetic # 2 - Lease Payable for Street Project, \$ 40,910.42  
Interest Rate 3.88%, Maturity November 15, 2017  
Payable from General Fund

US Bank – Lease Payable for Street Sweeper, \$ 35,015.56  
Interest Rate 2.55%, Maturity July 16, 2019  
Payable from General Fund

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The purchase price at the commencement of the financing (capital acquisition) leases were:

	<u>Kinetic # 2</u>	<u>John Deere # 2</u>	<u>US Bank</u>
Principal	\$ 100,674.63	\$ 150,454.19	\$ 48,001.00
Interest	10,325.37	4,501.01	3,176.00
TOTAL	<u>\$ 111,000.00</u>	<u>\$ 154,955.20</u>	<u>\$ 51,177.00</u>

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

The annual requirements to authorize all debt outstanding as of December 31, 2015, except for compensated absences are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2015

Year Ending December 31,	<u>State Revolving Loan Fund - Clean Water # 1</u>		<u>State Revolving Loan Fund - Drinking Water # 1</u>		<u>State Revolving Loan Fund - Clean Water # 2</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	21,500.61	6,788.03	13,250.39	4,183.33	6,256.67	3,649.33
2017	22,263.06	6,025.58	13,720.27	3,713.45	6,446.49	3,459.51
2018	23,052.55	5,236.09	14,206.82	3,226.90	6,642.07	3,263.93
2019	23,870.05	4,418.59	14,710.62	2,723.10	6,843.59	3,062.41
2020	24,716.52	3,572.12	15,232.29	2,201.43	7,051.21	2,854.79
2021-2025	86,545.24	5,392.84	53,336.29	3,323.30	38,597.81	10,932.19
2026-2030					44,819.15	4,710.85
2031-2035					7,319.07	110.43
2036-2040						
2041-2045						
Totals	<u>201,948.03</u>	<u>31,433.25</u>	<u>124,456.68</u>	<u>19,371.51</u>	<u>123,976.06</u>	<u>32,043.44</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2015  
(Continued)

	State Revolving Loan Fund - Drinking Water # 2		State Revolving Loan Fund - Clean Water # 3		State Revolving Loan Fund - Drinking Water # 3	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	14,597.49	1,870.67	14,959.97	21,918.03	16,449.18	11,614.90
2017	14,928.72	1,539.44	15,452.13	21,425.87	16,948.23	11,115.85
2018	15,267.46	1,200.70	15,960.47	20,917.53	17,462.43	10,601.65
2019	15,613.89	854.27	16,485.56	20,392.44	17,992.22	10,071.86
2020	15,968.18	499.98	17,027.89	19,850.11	18,538.10	9,525.98
2021-2025	12,213.39	137.75	93,920.08	90,469.92	101,476.06	38,844.34
2026-2030			110,419.58	73,970.42	117,832.39	22,488.01
2031-2035			129,817.67	54,572.33	86,594.24	4,614.20
2036-2040			152,623.51	31,766.49		
2041-2045			113,305.59	6,548.61		
Totals	<u>88,589.13</u>	<u>6,102.81</u>	<u>679,972.45</u>	<u>361,831.75</u>	<u>393,292.85</u>	<u>118,876.79</u>

	Financing (C.A.) Lease Kinetic # 2		Financing (C.A.) Lease John Deere # 2		Financing (C.A.) Lease US Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	20,957.79	1,242.21	9,944.84	294.71	9,452.47	782.93
2017	19,952.63	397.37			9,696.36	539.04
2018					9,946.50	288.90
2019					5,920.23	50.42
2020						
2021-2025						
2026-2030						
2031-2035						
2036-2040						
2041-2045						
Totals	<u>40,910.42</u>	<u>1,639.58</u>	<u>9,944.84</u>	<u>294.71</u>	<u>35,015.56</u>	<u>1,661.29</u>

	Totals	
	Principal	Interest
2016	127,369.41	52,344.14
2017	119,407.89	48,216.11
2018	102,538.30	44,735.70
2019	101,436.16	41,573.09
2020	98,534.19	38,504.41
2021-2025	386,088.87	149,100.34
2026-2030	273,071.12	101,169.28
2031-2035	223,730.98	59,296.96
2036-2040	152,623.51	31,766.49
2041-2045	113,305.59	6,548.61
Totals	<u>1,698,106.02</u>	<u>573,255.13</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. WATER PURCHASE AGREEMENT

The Municipality of Baltic entered into a twenty year agreement with Minnehaha Community Water Corporation to provide water to the Municipality. A charge is paid by the Municipality to Minnehaha Community Water Corp. of \$.00170 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's water fund. There are no minimum payments on this agreement.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2014 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:		
Water Fund	\$ 4,095.02	
Sewer Fund		\$ 4,095.02

This is a temporary loan from water fund to sewer fund to pay for projects expenses.

10. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>
	<u>Building Capital Projects Fund</u>
Major Funds:	
Street Capital Projects Fund	<u>\$ 6,010.00</u>

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

<u>Transfers From:</u>	<u>Transfers To:</u>
	<u>Building Capital Projects Fund</u>
Major Funds:	
Street Capital Projects Fund	\$ 12,500.00
General Fund	77,900.00
	<u>\$ 90,400.00</u>

The Municipality typically budgets transfers to the General Fund to conduct the indispensable functions of the Municipality and to the Building Project Fund to accumulate resources for a community center.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

11. RESTRICTED NET POSITION

Restricted net position for the two fiscal years ended December 31, 2015 were as follows:

Purpose	Restricted By	12/31/2015	12/31/2014
Parks	Law	\$ 266.63	\$ 266.63
Capital Projects	Law	447,353.19	340,572.35
Economic Development	Law	8,630.82	13,016.18
Insurance Reserve	Statutory Requirements Governmental	10,975.31	10,975.31
SDSR Pension	Accounting Standards	43,123.38	
Total		<u>\$ 510,349.33</u>	<u>\$ 364,830.47</u>

12. PRIOR PERIOD ADJUSTMENTS

The Municipality 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:

	Governmental Activities	Business-Type Activities	Total
Net Position January 1, 2015, as previously reported	2,813,792.05	1,830,929.12	4,644,721.17
Restatement for pension accounting:			
Net Pension Asset	29,625.63	29,075.94	58,701.57
Pension Related Deferred Outflows of Resources	23,886.43	23,443.22	47,329.65
Pension Related Deferred Inflows of Resources	(34,311.48)	(33,674.84)	(67,986.32)
Net Position January 1, 2015, as restated	<u>2,832,992.63</u>	<u>1,849,773.44</u>	<u>4,682,766.07</u>

13. PENSION PLAN

**Plan Information:**

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

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NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Benefits Provided:**

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

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$9,013.00, \$8,406.98, and \$8,370.96, 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 Municipality as of this measurement period and reported by the Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 841,130.01
Less proportionate share of total pension liability	<u>\$ 808,025.91</u>
Proportionate share of net pension liability (asset)	<u>\$ (33,104.10)</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

At December 31, 2015, the Municipality reported a liability (asset) of \$(33,104.10) 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 Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was 0.0078052%, which is an increase of 0.0003426% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$3,934.52. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 6,778.20	
Changes in assumption.	\$ 26,249.45	
Net Difference between projected and actual earnings on pension plan investments.	\$ 20,222.72	\$ 48,845.72
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,107.67	
Municipality contributions subsequent to the measurement date.	<u>\$ 4,506.96</u>	
TOTAL	<u>\$ 58,865.00</u>	<u>\$ 48,845.72</u>

\$4,506.96 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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	\$ 1,568.62
2017	\$ 1,568.62
2018	\$ (4,220.01)
2019	<u>\$ 5,487.46</u>
TOTAL	<u>\$ 4,404.69</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**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	2.0%	0.8%
	-----	
Total	100%	
	=====	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent 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 Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Municipality's

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 83,322.61	\$(33,104.10)	\$(128,040.02)

**Pension Plan Fiduciary Net Position:**

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

**14. SIGNIFICANT CONTINGENCIES - LITIGATION**

At December 31, 2015, the Municipality was not involved in any significant litigation.

**15. RISK MANAGEMENT**

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015, the Municipality managed its risks as follows:

**Employee Health Insurance:**

As of December 31, 2015, there are no employees on the Municipality's health insurance.

**Liability Insurance:**

The Municipality joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays an annual premium to the pool to provide coverage for general liability, vehicle coverage, property coverage, crime coverage, and errors and omissions of officials and employee's coverage.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a \$2,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$10,975.31.

The Municipality carries a \$250 deductible for all coverage except the errors and omissions which has a \$500 deductible.

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Workmen's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	190,760.00	190,760.00	171,177.57	(19,582.43)
General Sales and Use Taxes	99,000.00	99,000.00	104,260.54	5,260.54
Amusement Taxes	0.00	0.00	60.00	60.00
Penalties and Interest on Delinquent Taxes	200.00	200.00	256.81	56.81
Licenses and Permits	4,275.00	4,275.00	8,710.50	4,435.50
Intergovernmental Revenue:				
State Grants	1,500.00	1,500.00	1,185.00	(315.00)
State Shared Revenue:				
Bank Franchise Tax	6,000.00	6,000.00	7,148.79	1,148.79
Prorate License Fees	1,200.00	1,200.00	950.04	(249.96)
Liquor Tax Reversion	5,500.00	5,500.00	6,771.76	1,271.76
Motor Vehicle Licenses	7,800.00	7,800.00	8,534.30	734.30
Local Government Highway and Bridge Fund	14,000.00	14,000.00	13,252.88	(747.12)
County Shared Revenue:				
County Wheel Tax	2,000.00	2,000.00	1,763.67	(236.33)
Charges for Goods and Services:				
General Government	500.00	500.00	316.57	(183.43)
Highways and Streets	1,000.00	1,000.00	4,218.75	3,218.75
Sanitation	90,000.00	90,000.00	92,516.45	2,516.45
Health	4,800.00	4,800.00	5,432.19	632.19
Culture and Recreation	18,300.00	18,300.00	16,097.85	(2,202.15)
Fines and Forfeits:				
Court Fines and Costs	200.00	200.00	180.00	(20.00)
Animal Control Fines	300.00	300.00	0.00	(300.00)
Miscellaneous Revenue:				
Investment Earnings	5.00	5.00	2.22	(2.78)
Rentals	26,980.00	26,980.00	39,300.00	12,320.00
Contributions and Donations from Private Sources	2,000.00	23,327.60	26,964.58	3,636.98
Liquor Operating Agreement Income	20,500.00	20,500.00	5,914.43	(14,585.57)
Other	5,700.00	5,700.00	6,367.38	667.38
<b>Total Revenue</b>	<b>502,520.00</b>	<b>523,847.60</b>	<b>521,382.28</b>	<b>(2,465.32)</b>
<b>Expenditures:</b>				
General Government:				
Legislative	56,910.52	56,910.52	39,990.31	16,920.21
Elections	1,460.00	1,460.00	0.00	1,460.00
Financial Administration	37,376.18	37,376.18	34,466.56	2,909.62
Other	22,425.00	22,425.00	12,070.86	10,354.14
<b>Total General Government</b>	<b>118,171.70</b>	<b>118,171.70</b>	<b>86,527.73</b>	<b>31,643.97</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	58,058.00	58,058.00	58,058.00	0.00
Fire	16,000.00	16,000.00	16,000.00	0.00
Protective Inspection	9,260.81	9,260.81	2,661.05	6,599.76
Other Protection	3,175.00	3,175.00	1,093.44	2,081.56
Total Public Safety	86,493.81	86,493.81	77,812.49	8,681.32
Public Works:				
Highways and Streets	94,318.52	94,318.52	84,946.31	9,372.21
Sanitation	59,385.00	66,485.00	65,997.30	487.70
Total Public Works	153,703.52	160,803.52	150,943.61	9,859.91
Health and Welfare:				
Health	8,663.00	8,663.00	2,357.97	6,305.03
Ambulance	4,000.00	4,000.00	4,000.00	0.00
Total Health and Welfare	12,663.00	12,663.00	6,357.97	6,305.03
Culture and Recreation:				
Recreation	3,000.00	3,000.00	6,000.00	(3,000.00)
Parks	85,966.74	107,294.34	82,020.69	25,273.65
Libraries	3,075.00	3,075.00	1,553.49	1,521.51
Total Culture and Recreation	92,041.74	113,369.34	89,574.18	23,795.16
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	2,600.00	2,600.00	2,600.00	0.00
Total Conservation and Development	2,600.00	2,600.00	2,600.00	0.00
Debt Service	43,161.00	43,161.00	42,673.95	487.05
Miscellaneous:				
Liquor Operating Agreements	13,896.59	13,896.59	3,665.31	10,231.28
Total Miscellaneous	13,896.59	13,896.59	3,665.31	10,231.28
Total Expenditures	522,731.36	551,158.96	460,155.24	91,003.72
Excess of Revenue Over (Under) Expenditures	(20,211.36)	(27,311.36)	61,227.04	88,538.40
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,014.00	1,014.00	0.00	(1,014.00)
Sale of Municipal Property	0.00	0.00	59,000.00	59,000.00
Transfers Out	0.00	0.00	(77,900.00)	(77,900.00)
Total Other Financing Sources (Uses)	1,014.00	1,014.00	(18,900.00)	(19,914.00)
Net Change in Fund Balances	(19,197.36)	(26,297.36)	42,327.04	68,624.40
Fund Balance - Beginning	61,689.67	61,689.67	61,689.67	0.00
FUND BALANCE - ENDING	42,492.31	35,392.31	104,016.71	68,624.40

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PARK FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>	0.00	0.00	0.00	0.00
<b>Expenditures:</b>				
Culture and Recreation:				
Recreation	3,000.00	3,000.00	0.00	3,000.00
Total Culture and Recreation	3,000.00	3,000.00	0.00	3,000.00
Total Expenditures	3,000.00	3,000.00	0.00	3,000.00
Excess of Revenue Over (Under) Expenditures	(3,000.00)	(3,000.00)	0.00	3,000.00
<b>Other Financing Sources (Uses):</b>				
Transfers In	3,000.00	3,000.00	0.00	(3,000.00)
Total Other Financing Sources (Uses)	3,000.00	3,000.00	0.00	(3,000.00)
Net Change in Fund Balances	0.00	0.00	0.00	0.00
Fund Balance - Beginning	266.63	266.63	266.63	0.00
<b>FUND BALANCE - ENDING</b>	<u>266.63</u>	<u>266.63</u>	<u>266.63</u>	<u>0.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Tax	1,200.00	1,200.00	2,988.33	1,788.33
Miscellaneous Revenue:				
Investment Earnings	5.00	5.00	1.31	(3.69)
Total Revenue	1,205.00	1,205.00	2,989.64	1,784.64
<b>Expenditures:</b>				
Culture and Recreation:				
Parks	5,150.00	5,150.00	7,375.00	(2,225.00)
Total Culture and Recreation	5,150.00	5,150.00	7,375.00	(2,225.00)
Total Expenditures	5,150.00	5,150.00	7,375.00	(2,225.00)
Net Change in Fund Balances	(3,945.00)	(3,945.00)	(4,385.36)	(440.36)
Fund Balance - Beginning	13,016.18	13,016.18	13,016.18	0.00
FUND BALANCE - ENDING	9,071.18	9,071.18	8,630.82	(440.36)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STREET ASSESSMENT FUND**  
**For the Year Ended December 31, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Maintenance Assessments	19,500.00	19,500.00	24,800.70	5,300.70
Total Revenue	19,500.00	19,500.00	24,800.70	5,300.70
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	25,000.00	30,600.00	30,521.78	78.22
Total Public Works	25,000.00	30,600.00	30,521.78	78.22
Total Expenditures	25,000.00	30,600.00	30,521.78	78.22
Net Change in Fund Balances	(5,500.00)	(11,100.00)	(5,721.08)	5,378.92
Fund Balance - Beginning	25,459.25	25,459.25	25,459.25	0.00
<b>FUND BALANCE - ENDING</b>	<b>19,959.25</b>	<b>14,359.25</b>	<b>19,738.17</b>	<b>5,378.92</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	166,874.00	166,874.00	169,447.58	2,573.58
General Sales and Use Taxes	96,000.00	96,000.00	104,190.31	8,190.31
Penalties and Interest on Delinquent Taxes	250.00	250.00	245.01	(4.99)
Licenses and Permits	4,530.00	4,530.00	4,856.37	326.37
Intergovernmental Revenue:				
State Grants	0.00	1,413.00	1,413.00	0.00
State Shared Revenue:				
Bank Franchise Tax	4,800.00	4,800.00	7,810.84	3,010.84
Motor Vehicle Commercial Prorate	1,200.00	1,200.00	932.67	(267.33)
Liquor Tax Reversion	5,600.00	5,600.00	5,608.44	8.44
Motor Vehicle Licenses	7,800.00	7,800.00	7,696.68	(103.32)
Local Government Highway and Bridge Fund	12,000.00	12,000.00	13,047.86	1,047.86
County Shared Revenue:				
County Wheel Tax	1,900.00	1,900.00	1,720.77	(179.23)
Charges for Goods and Services:				
General Government	500.00	500.00	200.43	(299.57)
Highways and Streets	1,000.00	1,000.00	315.00	(685.00)
Sanitation	89,600.00	89,600.00	91,500.03	1,900.03
Health	4,800.00	4,800.00	4,949.97	149.97
Culture and Recreation	16,800.00	16,800.00	17,788.11	988.11
Fines and Forfeits:				
Court Fines and Costs	200.00	200.00	77.00	(123.00)
Animal Control Fines	300.00	300.00	0.00	(300.00)
Miscellaneous Revenue:				
Investment Earnings	10.00	10.00	3.68	(6.32)
Rentals	22,682.00	22,682.00	19,662.62	(3,019.38)
Contributions and Donations from Private Sources	2,900.00	9,100.00	7,250.00	(1,850.00)
Liquor Operating Agreement Income	28,200.00	28,200.00	31,823.31	3,623.31
Other	5,800.00	5,800.00	5,872.50	72.50
<b>Total Revenue</b>	<b>473,746.00</b>	<b>481,359.00</b>	<b>496,412.18</b>	<b>15,053.18</b>
<b>Expenditures:</b>				
General Government:				
Legislative	49,500.04	49,500.04	51,899.85	(2,399.81)
Elections	1,460.00	1,460.00	90.68	1,369.32
Financial Administration	36,404.96	46,404.96	40,209.45	6,195.51
Other	16,300.00	16,300.00	14,127.16	2,172.84
<b>Total General Government</b>	<b>103,665.00</b>	<b>113,665.00</b>	<b>106,327.14</b>	<b>7,337.86</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	56,966.00	56,966.00	56,966.00	0.00
Fire	16,000.00	22,200.00	16,000.00	6,200.00
Protective Inspection	8,881.61	8,881.61	2,407.42	6,474.19
Other Protection	7,150.00	7,150.00	5,338.98	1,811.02
Total Public Safety	88,997.61	95,197.61	80,712.40	14,485.21
Public Works:				
Highways and Streets	90,807.01	138,808.01	133,137.34	5,670.67
Sanitation	78,385.00	78,385.00	67,640.03	10,744.97
Total Public Works	169,192.01	217,193.01	200,777.37	16,415.64
Health and Welfare:				
Health	4,835.00	6,248.00	3,595.82	2,652.18
Total Health and Welfare	4,835.00	6,248.00	3,595.82	2,652.18
Culture and Recreation:				
Recreation	4,650.00	4,650.00	799.51	3,850.49
Parks	90,209.94	90,209.94	71,984.87	18,225.07
Libraries	2,000.00	2,000.00	2,186.68	(186.68)
Total Culture and Recreation	96,859.94	96,859.94	74,971.06	21,888.88
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	2,600.00	2,600.00	2,575.00	25.00
Total Conservation and Development	2,600.00	2,600.00	2,575.00	25.00
Debt Service	48,075.00	48,075.00	51,855.15	(3,780.15)
Miscellaneous:				
Liquor Operating Agreements	12,371.22	12,371.22	11,435.04	936.18
Total Miscellaneous	12,371.22	12,371.22	11,435.04	936.18
Total Expenditures	526,595.78	592,209.78	532,248.98	59,960.80
Excess of Revenue Over (Under) Expenditures	(52,849.78)	(110,850.78)	(35,836.80)	75,013.98
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,500.00	2,500.00	0.00	(2,500.00)
Sale of Municipal Property	0.00	0.00	470.20	470.20
Long-Term Debt Issued	0.00	48,001.00	48,001.00	0.00
Total Other Financing Sources (Uses)	2,500.00	50,501.00	48,471.20	(2,029.80)
Net Change in Fund Balances	(50,349.78)	(60,349.78)	12,634.40	72,984.18
Fund Balance - Beginning	49,055.27	49,055.27	49,055.27	0.00
FUND BALANCE - ENDING	(1,294.51)	(11,294.51)	61,689.67	72,984.18

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PARK FUND**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	0.04	0.04
Total Revenue	0.00	0.00	0.04	0.04
<b>Expenditures</b>	0.00	0.00	0.00	0.00
Net Change in Fund Balances	0.00	0.00	0.04	0.04
Fund Balance - Beginning	266.59	266.59	266.59	0.00
<b>FUND BALANCE - ENDING</b>	<u>266.59</u>	<u>266.59</u>	<u>266.63</u>	<u>0.04</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Tax	2,000.00	2,000.00	1,061.19	(938.81)
Miscellaneous Revenue:				
Investment Earnings	5.00	5.00	2.20	(2.80)
Total Revenue	2,005.00	2,005.00	1,063.39	(941.61)
<b>Expenditures:</b>				
General Government:				
Other	3,150.00	3,150.00	0.00	3,150.00
Total General Government	3,150.00	3,150.00	0.00	3,150.00
Culture and Recreation:				
Recreation	2,500.00	2,500.00	2,850.00	(350.00)
Total Culture and Recreation	2,500.00	2,500.00	2,850.00	(350.00)
Total Expenditures	5,650.00	5,650.00	2,850.00	2,800.00
Net Change in Fund Balances	(3,645.00)	(3,645.00)	(1,786.61)	1,858.39
Fund Balance - Beginning	14,802.79	14,802.79	14,802.79	0.00
<b>FUND BALANCE - ENDING</b>	<b>11,157.79</b>	<b>11,157.79</b>	<b>13,016.18</b>	<b>1,858.39</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF BALTIC**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STREET ASSESSMENT FUND**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Maintenance Assessments	18,500.00	18,500.00	20,107.41	1,607.41
Total Revenue	18,500.00	18,500.00	20,107.41	1,607.41
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	18,500.00	18,500.00	16,688.30	1,811.70
Total Public Works	18,500.00	18,500.00	16,688.30	1,811.70
Total Expenditures	18,500.00	18,500.00	16,688.30	1,811.70
Net Change in Fund Balances	0.00	0.00	3,419.11	3,419.11
Fund Balance - Beginning	22,040.14	22,040.14	22,040.14	0.00
FUND BALANCE - ENDING	22,040.14	22,040.14	25,459.25	3,419.11

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

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

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

The Municipality did not encumber any amounts at either December 31, 2014, or December 31, 2015.

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

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

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

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.0078052%
Municipality's proportionate share of net pension liability (asset)	\$ (33)
Municipality's covered-employee payroll	\$ 141
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(23.40%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.1%

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30/15.

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REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

## South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 9
Contributions in relation to the contractually required contribution	<u>\$ 9</u>
Contribution deficiency (excess)	\$ -
Municipality's covered-employee payroll	\$ 150
Contributions as a percentage of covered-employee payroll	6%