

**MUNICIPALITY OF BURKE
BURKE, 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 BURKE

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Tom Glover

GOVERNING BOARD:

Joel Johnson – President
Todd Halsne – Vice-President
Mark Benter
Vickie Dobesh
Wyatt Reis
Garry Wetzler

FINANCE OFFICER:

Mike Glover

ATTORNEY:

Jack Gunvordahl

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Burke
Burke, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Burke, 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 and have issued our report thereon dated August 23, 2016. Our report includes a reference to other auditors who audited the financial statements of the Burke Housing and Redevelopment Commission, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units, as described in our report on the Municipality of Burke's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 items 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
August 23, 2016

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2015-001.

Finding Number 2013-002:

The Municipality raised the water rates to be effective April 1, 2013. Due to an oversight the rates were not changed until February of 2014 resulting in a material loss of revenue in the Water Fund. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT 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 existed for the revenues. This is the tenth consecutive audit in which a similar deficiency has been reported.

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

CLOSING CONFERENCE

The audit was discussed with the mayor, two councilpersons and the finance officer on August 29, 2016.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Burke
Burke, 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 of the Municipality of Burke, 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. We did not audit the financial statements of the Burke Housing and Redevelopment Commission, which represent 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burke Housing and Redevelopment Commission, is based on the report of the other auditors.

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.

Unmodified Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Municipality of Burke 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 14 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 14 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 50 through 53, 55, and 56, 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 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
August 23, 2016

Schoenfish & Co., Inc.

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MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	670,889.95	572,445.00	1,243,334.95	143,325.53
Investments		11,000.00	11,000.00	34,226.42
Accounts Receivable, Net	16,587.03	92,368.17	108,955.20	1,594.72
Other Assets	28,598.14	1,794.32	30,392.46	26,021.67
Inventories	37,148.16	47,710.23	84,858.39	
Restricted Assets:				
Cash and Cash Equivalents			0.00	66,914.83
Deposits	14,543.78		14,543.78	
Net Pension Asset	22,956.72	8,954.71	31,911.43	14,023.81
Capital Assets:				
Land and Construction Work in Progress	719,019.35	35,645.00	754,664.35	21,077.04
Other Capital Assets, Net of Depreciation	1,542,792.69	423,153.56	1,965,946.25	246,464.59
TOTAL ASSETS	3,052,535.82	1,193,070.99	4,245,606.81	553,648.61
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	39,955.10	15,585.24	55,540.34	24,251.43
TOTAL DEFERRED OUTFLOWS OF RESOURCES	39,955.10	15,585.24	55,540.34	24,251.43
LIABILITIES :				
Accounts Payable	13,267.30	52,848.45	66,115.75	5,073.64
Other Current Liabilities		19,110.00	19,110.00	24,854.01
Unearned Revenue			0.00	618.00
Noncurrent Liabilities:				
Due Within One Year	27,087.71	14,459.63	41,547.34	
Due in More than One Year	193,022.73	194,469.13	387,491.86	
TOTAL LIABILITIES	233,377.74	280,887.21	514,264.95	30,545.65
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	34,736.23	13,549.52	48,285.75	20,692.41
TOTAL DEFERRED INFLOWS OF RESOURCES	34,736.23	13,549.52	48,285.75	20,692.41
NET POSITION:				
Net Investment in Capital Assets	2,061,811.51	262,066.53	2,323,878.04	267,541.63
Restricted for:				
South Dakota Housing			0.00	66,914.83
Cumulative Insurance Reserve	14,543.78		14,543.78	
Equipment Repair and/or Replacement		157,617.51	157,617.51	
SDRS Pension Purposes	28,175.59	10,990.43	39,166.02	17,582.83
Unrestricted (Deficit)	719,846.07	483,545.03	1,203,391.10	174,622.69
TOTAL NET POSITION	2,824,376.95	914,219.50	3,738,596.45	526,661.98

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	147,445.46	1,295.00			(146,150.46)		(146,150.46)	
Public Safety	95,222.06				(95,222.06)		(95,222.06)	
Public Works	181,042.00		43,728.13	242,521.61	105,207.74		105,207.74	
Health and Welfare	1,524.02				(1,524.02)		(1,524.02)	
Culture and Recreation	92,609.45	4,440.00			(88,169.45)		(88,169.45)	
Conservation and Development	80,795.20		23,297.67		(57,497.53)		(57,497.53)	
Miscellaneous	25.00	7,382.97			7,357.97		7,357.97	
Total Governmental Activities	598,663.19	13,117.97	67,025.80	242,521.61	(275,997.81)		(275,997.81)	
Business-type Activities:								
Water	145,948.80	160,644.65				14,695.85	14,695.85	
Sewer	46,557.09	107,356.52				60,799.43	60,799.43	
Electric	488,492.57	664,906.13				176,413.56	176,413.56	
Total Business-type Activities	680,998.46	932,907.30	0.00	0.00		251,908.84	251,908.84	
Total Primary Government	1,279,661.65	946,025.27	67,025.80	242,521.61	(275,997.81)	251,908.84	(24,088.97)	
Component Units:								
Housing and Redevelopment Commission	271,049.18	157,131.54	93,047.00	13,898.75				(6,971.89)
General Revenues:								
Taxes:								
Property Taxes					140,110.49		140,110.49	
Sales Taxes					275,437.14		275,437.14	
State Shared Revenues					4,159.50		4,159.50	
Grants and Contributions not Restricted to Specific Programs					249.20		249.20	
Unrestricted Investment Earnings					2,255.56		2,255.56	2,052.21
Miscellaneous Revenue					56,162.71		56,162.71	
Transfers					210,985.24	(210,985.24)	0.00	
Total General Revenues and Transfers					689,359.84	(210,985.24)	478,374.60	2,052.21
Change in Net Position					413,362.03	40,923.60	454,285.63	(4,919.68)
Net Position - Beginning					2,386,628.78	863,783.62	3,250,412.40	515,756.22
Adjustments:								
Prior Period Adjustment for GASB 68 - See Note 14.					24,386.14	9,512.28	33,898.42	15,825.44
Adjusted Net Position-Beginning					2,411,014.92	873,295.90	3,284,310.82	531,581.66
NET POSITION - ENDING					2,824,376.95	914,219.50	3,738,596.45	526,661.98

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	670,889.95
Taxes Receivable--Delinquent	6,186.27
Special Assessments Receivable--Current	2,080.18
Special Assessments Receivable--Deferred	8,320.58
Inventory of Supplies	37,148.16
Deposits	14,543.78
Prepaid Expenses	28,598.14
TOTAL ASSETS	767,767.06
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	13,267.30
Total Liabilities	13,267.30
Deferred Inflows of Resources:	
Unavailable Revenue--Property Taxes	6,186.27
Unavailable Revenue--Special Assessments	10,400.76
Total Deferred Inflows of Resources	16,587.03
Fund Balances:	
Nonspendable for Inventory	37,148.16
Nonspendable for Cumulative Insurance Reserve	14,543.78
Nonspendable for Prepaid Expenses	28,598.14
Committed for Casualty Reserve	66,261.35
Committed for Civic Center	90,109.13
Assigned for Capital Projects	338,251.89
Unassigned	163,000.28
Total Fund Balances	737,912.73
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	767,767.06

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

MUNICIPALITY OF BURKE
Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position
December 31, 2015

Total Fund Balances - Governmental Funds	<u>737,912.73</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>22,956.72</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,261,812.04</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>39,955.10</u>
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	<u>(220,110.44)</u>
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>16,587.03</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(34,736.23)</u>
Net Position - Governmental Activities	<u><u>2,824,376.95</u></u>

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

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

	General Fund
Revenues:	
Taxes:	
General Property Taxes	138,430.13
General Sales and Use Taxes	275,437.14
Penalties and Interest on Delinquent Taxes	408.27
Licenses and Permits	1,295.00
Intergovernmental Revenue:	
State Grants	200,000.00
State Shared Revenue:	
Bank Franchise Tax	403.65
Prorate License Fees	1,764.77
Liquor Tax Reversion	3,755.85
Motor Vehicle Licenses	6,732.91
Local Government Highway and Bridge Fund	32,229.53
County Shared Revenue:	
County Road Tax	3,000.92
Charges for Goods and Services:	
Culture and Recreation	2,180.00
Other	516.62
Miscellaneous Revenue:	
Investment Earnings	2,255.56
Rentals	2,260.00
Special Assessments	3,236.40
Contributions and Donations from Private Sources	52,431.32
Liquor Operating Agreement Income	6,866.35
Other	50,951.13
Total Revenue	784,155.55
Expenditures:	
General Government:	
Legislative	4,201.57
Executive	11,955.25
Elections	375.00
Financial Administration	81,273.87
Other	49,425.76
Total General Government	147,231.45
Public Safety:	
Police	81,569.44
Fire	8,304.50
Total Public Safety	89,873.94

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

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

	General Fund
Expenditures (continued):	
Public Works:	
Highways and Streets	108,726.88
Total Public Works	108,726.88
Health and Welfare:	
Health	1,524.02
Total Health and Welfare	1,524.02
Culture and Recreation:	
Recreation	2,328.67
Parks	12,970.96
Libraries	17,021.67
Auditorium	39,067.11
Total Culture and Recreation	71,388.41
Conservation and Development:	
Economic Development and Assistance (Industrial Development)	80,795.20
Total Conservation and Development	80,795.20
Capital Outlay	660,496.55
Miscellaneous:	
Liquor Operating Agreements	25.00
Total Miscellaneous	25.00
Total Expenditures	1,160,061.45
Excess of Revenue Over (Under) Expenditures	(375,905.90)
Other Financing Sources (Uses):	
Transfers In	220,985.24
Sale of Municipal Property	5,260.00
Long-Term Debt Issued	200,000.00
Transfers Out	(10,000.00)
Total Other Financing Sources (Uses)	416,245.24
Net Change in Fund Balances	40,339.34
Fund Balance - Beginning	697,573.39
FUND BALANCE - ENDING	737,912.73

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

MUNICIPALITY OF BURKE
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>40,339.34</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>660,496.55</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>(104,552.98)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(48.42)</u>
The refunding 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>(200,000.00)</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>1,272.09</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments and street assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>10,400.76</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>1,665.24</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>3,789.45</u>
Change in Net Position of Governmental Activities	<u><u>413,362.03</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	58,586.82	202,184.83	311,673.35	572,445.00
Investments			11,000.00	11,000.00
Accounts Receivable, Net	13,052.51	10,004.14	69,311.52	92,368.17
Inventory of Supplies	13,486.53	1,897.33	32,326.37	47,710.23
Prepaid Expenses	163.75	392.56	1,238.01	1,794.32
Total Current Assets	<u>85,289.61</u>	<u>214,478.86</u>	<u>425,549.25</u>	<u>725,317.72</u>
Noncurrent Assets:				
Net Pension Asset		4,328.64	4,626.07	8,954.71
Capital Assets:				
Land	1,250.00	28,395.00	6,000.00	35,645.00
Buildings			62,500.00	62,500.00
Improvements Other Than Buildings	595,147.27	272,375.29	502,513.34	1,370,035.90
Machinery and Equipment		80,414.00	37,200.00	117,614.00
Less: Accumulated Depreciation	(422,240.76)	(183,242.05)	(521,513.53)	(1,126,996.34)
Total Noncurrent Assets	<u>174,156.51</u>	<u>202,270.88</u>	<u>91,325.88</u>	<u>467,753.27</u>
TOTAL ASSETS	<u>259,446.12</u>	<u>416,749.74</u>	<u>516,875.13</u>	<u>1,193,070.99</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows		7,533.79	8,051.45	15,585.24
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>0.00</u>	<u>7,533.79</u>	<u>8,051.45</u>	<u>15,585.24</u>
LIABILITIES:				
Current Liabilities:				
Claims Payable	9,559.51	1,827.66	41,461.28	52,848.45
Customer Deposits			19,110.00	19,110.00
Bonds Payable Current:				
Revenue	3,262.44	7,197.19		10,459.63
Total Current Liabilities	<u>12,821.95</u>	<u>9,024.85</u>	<u>60,571.28</u>	<u>82,418.08</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	87,007.63	99,264.77		186,272.40
Accrued Leave Payable	11,404.43		792.30	12,196.73
Total Noncurrent Liabilities	<u>98,412.06</u>	<u>99,264.77</u>	<u>792.30</u>	<u>198,469.13</u>
TOTAL LIABILITIES	<u>111,234.01</u>	<u>108,289.62</u>	<u>61,363.58</u>	<u>280,887.21</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows		6,549.74	6,999.78	13,549.52
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>0.00</u>	<u>6,549.74</u>	<u>6,999.78</u>	<u>13,549.52</u>
NET POSITION:				
Net Investment in Capital Assets	83,886.44	91,480.28	86,699.81	262,066.53
Restricted For:				
Equipment Repair and/or Replacement		64,394.35	93,223.16	157,617.51
SDRS Pension Purposes		5,312.69	5,677.74	10,990.43
Unrestricted	64,325.67	148,256.85	270,962.51	483,545.03
TOTAL NET POSITION	<u>148,212.11</u>	<u>309,444.17</u>	<u>456,563.22</u>	<u>914,219.50</u>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenue:				
Charges for Goods and Services	160,644.65	107,356.52	664,906.13	932,907.30
Total Operating Revenue	160,644.65	107,356.52	664,906.13	932,907.30
Operating Expenses:				
Personal Services		25,347.62	45,909.42	71,257.04
Other Current Expense	47,235.89	10,194.70	61,003.30	118,433.89
Materials (Cost of Goods Sold)	88,549.00		370,569.43	459,118.43
Depreciation	7,857.28	7,412.65	11,010.42	26,280.35
Total Operating Expenses	143,642.17	42,954.97	488,492.57	675,089.71
Operating Income (Loss)	17,002.48	64,401.55	176,413.56	257,817.59
Nonoperating Revenue (Expense):				
Interest Expense	(2,306.63)	(3,602.12)		(5,908.75)
Total Nonoperating Revenue (Expense)	(2,306.63)	(3,602.12)	0.00	(5,908.75)
Income (Loss) Before Transfers	14,695.85	60,799.43	176,413.56	251,908.84
Transfers In	10,000.00			10,000.00
Transfers Out		(20,747.88)	(200,237.36)	(220,985.24)
Change in Net Position	24,695.85	40,051.55	(23,823.80)	40,923.60
Net Position - Beginning	123,516.26	264,794.45	475,472.91	863,783.62
Adjustments:				
Prior Period Adjustment for GASB 68 -- See Note 14.		4,598.17	4,914.11	9,512.28
Adjusted Net Position - Beginning	123,516.26	269,392.62	480,387.02	873,295.90
NET POSITION - ENDING	148,212.11	309,444.17	456,563.22	914,219.50

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	158,449.14	106,774.32	662,327.16	927,550.62
Cash Payments to Employees for Services		(26,062.14)	(46,638.61)	(72,700.75)
Cash Payments to Suppliers of Goods and Services	(132,834.27)	(9,286.87)	(443,324.90)	(585,446.04)
Net Cash Provided (Used) by Operating Activities	<u>25,614.87</u>	<u>71,425.31</u>	<u>172,363.65</u>	<u>269,403.83</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer In	10,000.00			10,000.00
Transfer Out		(20,747.88)	(200,237.36)	(220,985.24)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,000.00</u>	<u>(20,747.88)</u>	<u>(200,237.36)</u>	<u>(210,985.24)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(16,943.95)			(16,943.95)
Principal Paid on Capital Debt	(3,182.13)	(6,967.96)		(10,150.09)
Interest Paid on Capital Debt	(2,306.63)	(3,602.12)		(5,908.75)
Net Cash (Used) by Capital and Related Financing Activities	<u>(22,432.71)</u>	<u>(10,570.08)</u>	<u>0.00</u>	<u>(33,002.79)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>13,182.16</u>	<u>40,107.35</u>	<u>(27,873.71)</u>	<u>25,415.80</u>
Balances - Beginning	45,404.66	162,077.48	350,547.06	558,029.20
Balances - Ending	<u>58,586.82</u>	<u>202,184.83</u>	<u>322,673.35</u>	<u>583,445.00</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	17,002.48	64,401.55	176,413.56	257,817.59
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	7,857.28	7,412.65	11,010.42	26,280.35
(Increase) decrease in Receivables	(2,195.51)	(582.20)	(3,223.97)	(6,001.68)
(Increase) decrease in Inventories	1,098.79	(582.63)	1,756.28	2,272.44
(Increase) decrease in Net Pension Asset		2,661.68	2,844.55	5,506.23
(Increase) decrease in Pension Related Deferred Outflows		(1,829.98)	(1,955.72)	(3,785.70)
(Increase) decrease in Prepaid Expenses	(163.75)	(33.40)	(87.59)	(284.74)
(Decrease) increase in Accounts and Other Payables	2,217.65	1,523.86	(13,420.86)	(9,679.35)
(Decrease) increase in Accrued Leave Payable	(202.07)		34.44	(167.63)
(Decrease) increase in Pension Related Deferred Inflows		(1,546.22)	(1,652.46)	(3,198.68)
(Decrease) increase in Customer Deposits			645.00	645.00
Net Cash Provided (Used) by Operating Activities	<u>25,614.87</u>	<u>71,425.31</u>	<u>172,363.65</u>	<u>269,403.83</u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	651,545.91	547,029.20	1,198,575.11	112,965.29
Investments		11,000.00	11,000.00	34,145.99
Accounts Receivable, Net	4,914.18	86,366.49	91,280.67	1,457.02
Other Assets	27,173.12	1,509.58	28,682.70	14,254.90
Inventories	17,358.16	49,982.67	67,340.83	
Restricted Assets:				
Cash and Cash Equivalents			0.00	64,969.11
Deposits	14,543.78		14,543.78	
Capital Assets:				
Land and Construction Work in Progress	121,680.00	35,645.00	157,325.00	39,110.29
Other Capital Assets, Net of Depreciation	1,584,236.89	432,489.96	2,016,726.85	274,450.92
TOTAL ASSETS	2,421,452.04	1,164,022.90	3,585,474.94	541,353.52
LIABILITIES :				
Accounts Payable	13,047.58	62,527.80	75,575.38	4,089.38
Other Current Liabilities		18,465.00	18,465.00	21,067.92
Unearned Revenue			0.00	440.00
Noncurrent Liabilities:				
Due Within One Year	10,000.00	14,150.09	24,150.09	
Due in More than One Year	11,775.68	205,096.39	216,872.07	
TOTAL LIABILITIES	34,823.26	300,239.28	335,062.54	25,597.30
NET POSITION:				
Net Investment in Capital Assets	1,705,916.89	261,252.84	1,967,169.73	313,561.21
Restricted for:				
South Dakota Housing			0.00	64,969.11
Cumulative Insurance Reserve	14,543.78		14,543.78	
Equipment Repair and/or Replacement		157,617.51	157,617.51	
Unrestricted	666,168.11	444,913.27	1,111,081.38	137,225.90
TOTAL NET POSITION	2,386,628.78	863,783.62	3,250,412.40	515,756.22

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	172,508.81	1,265.00			(171,243.81)		(171,243.81)	
Public Safety	87,284.95	30.57			(87,254.38)		(87,254.38)	
Public Works	195,592.25		42,937.63		(152,654.62)		(152,654.62)	
Health and Welfare	584.50		5,000.00		4,415.50		4,415.50	
Culture and Recreation	79,096.38	3,680.00			(75,416.38)		(75,416.38)	
Conservation and Development	46,210.71		41,669.71		(4,541.00)		(4,541.00)	
Miscellaneous Expenditures	19,092.93	32,640.40			13,547.47		13,547.47	
Total Governmental Activities	600,370.53	37,615.97	89,607.34	0.00	(473,147.22)		(473,147.22)	
Business-type Activities:								
Water	189,635.46	166,560.40				(23,075.06)	(23,075.06)	
Sewer	39,400.62	102,871.70				63,471.08	63,471.08	
Electric	520,380.24	653,548.62				133,168.38	133,168.38	
Total Business-type Activities	749,416.32	922,980.72	0.00	0.00		173,564.40	173,564.40	
Total Primary Government	1,349,786.85	960,596.69	89,607.34	0.00	(473,147.22)	173,564.40	(299,582.82)	
Component Units:								
Housing and Redevelopment Commission	256,566.42	123,533.41	85,548.00	5,009.37				(42,475.64)
General Revenues:								
Taxes:								
Property Taxes					138,316.49		138,316.49	
Sales Taxes					280,648.95		280,648.95	
State Shared Revenues					5,743.82		5,743.82	
Grants and Contributions not Restricted to Specific Programs					3,218.79		3,218.79	
Unrestricted Investment Earnings					1,342.96		1,342.96	2,331.17
Miscellaneous Revenue					56,457.98		56,457.98	
Transfers					130,110.56	(130,110.56)	0.00	
Total General Revenues and Transfers					615,839.55	(130,110.56)	485,728.99	2,331.17
Change in Net Position					142,692.33	43,453.84	186,146.17	(40,144.47)
Net Position - Beginning					2,243,936.45	820,329.78	3,064,266.23	555,900.69
NET POSITION - ENDING					2,386,628.78	863,783.62	3,250,412.40	515,756.22

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	651,545.91
Taxes Receivable--Delinquent	4,914.18
Inventory of Supplies	17,358.16
Deposits	14,543.78
Prepaid Expenses	27,173.12
TOTAL ASSETS	715,535.15
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	13,047.58
Total Liabilities	13,047.58
Deferred Inflows of Resources:	
Unavailable Revenue--Property Taxes	4,914.18
Total Deferred Inflows of Resources	4,914.18
Fund Balances:	
Nonspendable for Inventory	17,358.16
Nonspendable for Cumulative Insurance Reserve	14,543.78
Nonspendable for Prepaid Expenses	27,173.12
Committed for Casualty Reserve	66,261.35
Committed for Civic Center	85,066.69
Assigned for Capital Projects	338,251.89
Unassigned	148,918.40
Total Fund Balances	697,573.39
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	715,535.15

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

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

Total Fund Balances - Governmental Funds	<u>697,573.39</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>1,705,916.89</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>(21,775.68)</u>
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>4,914.18</u>
Net Position - Governmental Activities	<u><u>2,386,628.78</u></u>

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

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

	General Fund
Revenues:	
Taxes:	
General Property Taxes	135,783.12
General Sales and Use Taxes	280,648.95
Amusement Taxes	108.00
Penalties and Interest on Delinquent Taxes	1,151.62
Licenses and Permits	1,265.00
Intergovernmental Revenue:	
Federal Payments in Lieu of Taxes	2,928.19
State Grants	5,000.00
State Shared Revenue:	
Bank Franchise Tax	1,070.13
Motor Vehicle Commercial Prorate	3,479.98
Liquor Tax Reversion	4,673.69
Motor Vehicle Licenses	4,725.75
Local Government Highway and Bridge Fund	31,730.98
County Shared Revenue:	
County Road Tax	3,000.92
Charges for Goods and Services:	
Culture and Recreation	1,700.00
Other	395.37
Fines and Forfeits:	
Court Fines and Costs	30.57
Miscellaneous Revenue:	
Investment Earnings	1,342.96
Rentals	1,980.00
Contributions and Donations from Private Sources	41,960.31
Liquor Operating Agreement Income	32,245.03
Other	7,487.98
Total Revenue	562,708.55
Expenditures:	
General Government:	
Legislative	2,919.21
Executive	11,966.50
Financial Administration	85,118.94
Other	71,242.18
Total General Government	171,246.83

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

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

	General Fund
Expenditures (continued):	
Public Safety:	
Police	73,132.67
Fire	10,382.20
Total Public Safety	83,514.87
Public Works:	
Highways and Streets	110,250.64
Total Public Works	110,250.64
Health and Welfare:	
Health	584.50
Total Health and Welfare	584.50
Culture and Recreation:	
Recreation	2,423.63
Parks	11,347.32
Libraries	12,871.85
Auditorium	31,384.49
Total Culture and Recreation	58,027.29
Conservation and Development:	
Economic Development and Assistance (Industrial Development)	46,210.71
Total Conservation and Development	46,210.71
Capital Outlay	124,607.50
Miscellaneous:	
Liquor Operating Agreements	19,092.93
Total Miscellaneous	19,092.93
Total Expenditures	613,535.27
Excess of Revenue Over (Under) Expenditures	(50,826.72)
Other Financing Sources (Uses):	
Transfers In	180,110.56
Sale of Municipal Property	95,450.00
Transfers Out	(50,000.00)
Total Other Financing Sources (Uses)	225,560.56
Net Change in Fund Balances	174,733.84
Fund Balance - Beginning	522,839.55
FUND BALANCE - ENDING	697,573.39

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

MUNICIPALITY OF BURKE
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>174,733.84</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>124,607.50</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>(113,025.94)</u>
In the statement of activities, the gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds, if any, from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(46,480.00)</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>1,273.75</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>1,583.18</u>
Change in Net Position of Governmental Activities	<u><u>142,692.33</u></u>

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

MUNICIPALITY OF BURKE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	45,404.66	162,077.48	339,547.06	547,029.20
Investments			11,000.00	11,000.00
Accounts Receivable, Net	10,857.00	9,421.94	66,087.55	86,366.49
Inventory of Supplies	14,585.32	1,314.70	34,082.65	49,982.67
Prepaid Expenses		359.16	1,150.42	1,509.58
Total Current Assets	<u>70,846.98</u>	<u>173,173.28</u>	<u>451,867.68</u>	<u>695,887.94</u>
Noncurrent Assets:				
Capital Assets:				
Land	1,250.00	28,395.00	6,000.00	35,645.00
Buildings			62,500.00	62,500.00
Improvements Other Than Buildings	578,203.32	272,375.29	502,513.34	1,353,091.95
Machinery and Equipment		80,414.00	37,200.00	117,614.00
Less: Accumulated Depreciation	(414,383.48)	(175,829.40)	(510,503.11)	(1,100,715.99)
Total Noncurrent Assets	<u>165,069.84</u>	<u>205,354.89</u>	<u>97,710.23</u>	<u>468,134.96</u>
TOTAL ASSETS	<u>235,916.82</u>	<u>378,528.17</u>	<u>549,577.91</u>	<u>1,164,022.90</u>
LIABILITIES:				
Current Liabilities:				
Claims Payable	7,341.86	303.80	54,882.14	62,527.80
Customer Deposits			18,465.00	18,465.00
Bonds Payable - Current:				
Revenue	3,182.13	6,967.96		10,150.09
Total Current Liabilities	<u>10,523.99</u>	<u>7,271.76</u>	<u>73,347.14</u>	<u>91,142.89</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	90,270.07	106,461.96		196,732.03
Accrued Leave Payable	11,606.50		757.86	12,364.36
Total Noncurrent Liabilities	<u>101,876.57</u>	<u>106,461.96</u>	<u>757.86</u>	<u>209,096.39</u>
TOTAL LIABILITIES	<u>112,400.56</u>	<u>113,733.72</u>	<u>74,105.00</u>	<u>300,239.28</u>
NET POSITION:				
Net Investment in Capital Assets	71,617.64	91,924.97	97,710.23	261,252.84
Restricted Net Position, Restricted for:				
Equipment Repair and/or Replacement		64,394.35	93,223.16	157,617.51
Unrestricted	51,898.62	108,475.13	284,539.52	444,913.27
TOTAL NET POSITION	<u>123,516.26</u>	<u>264,794.45</u>	<u>475,472.91</u>	<u>863,783.62</u>

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

MUNICIPALITY OF BURKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenue:				
Charges for Goods and Services	166,560.40	102,871.70	653,548.62	922,980.72
Total Operating Revenue	166,560.40	102,871.70	653,548.62	922,980.72
Operating Expenses:				
Personal Services		24,252.63	48,528.38	72,781.01
Other Current Expense	79,400.43	3,899.25	73,065.06	156,364.74
Materials (Cost of Goods Sold)	100,252.80		387,251.06	487,503.86
Depreciation	7,597.28	7,424.69	11,535.74	26,557.71
Total Operating Expenses	187,250.51	35,576.57	520,380.24	743,207.32
Operating Income (Loss)	(20,690.11)	67,295.13	133,168.38	179,773.40
Nonoperating Revenue (Expense):				
Interest Expense	(2,384.95)	(3,824.05)		(6,209.00)
Total Nonoperating Revenue (Expense)	(2,384.95)	(3,824.05)	0.00	(6,209.00)
Income (Loss) Before Transfers	(23,075.06)	63,471.08	133,168.38	173,564.40
Transfers In	50,000.00			50,000.00
Transfers Out		(34,177.23)	(145,933.33)	(180,110.56)
Change in Net Position	26,924.94	29,293.85	(12,764.95)	43,453.84
Net Position - Beginning	96,591.32	235,500.60	488,237.86	820,329.78
NET POSITION - ENDING	123,516.26	264,794.45	475,472.91	863,783.62

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	167,923.96	103,200.79	665,697.97	936,822.72
Cash Payments to Employees for Services	(182,387.21)	(24,252.63)	(48,486.52)	(72,739.15)
Cash Payments to Suppliers of Goods and Services	(14,463.25)	(4,101.75)	(455,162.12)	(641,651.08)
Net Cash Provided (Used) by Operating Activities	(14,463.25)	74,846.41	162,049.33	222,432.49
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer In	50,000.00			50,000.00
Transfer Out		(34,177.23)	(145,933.33)	(180,110.56)
Net Cash Provided (Used) by Noncapital Financing Activities	50,000.00	(34,177.23)	(145,933.33)	(130,110.56)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Capital Debt	(3,103.81)	(6,746.03)		(9,849.84)
Interest Paid on Capital Debt	(2,384.95)	(3,824.05)		(6,209.00)
Net Cash (Used) by Capital and Related Financing Activities	(5,488.76)	(10,570.08)	0.00	(16,058.84)
Net Increase (Decrease) in Cash and Cash Equivalents	30,047.99	30,099.10	16,116.00	76,263.09
Balances - Beginning	15,356.67	131,978.38	334,431.06	481,766.11
Balances - Ending	45,404.66	162,077.48	350,547.06	558,029.20
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	(20,690.11)	67,295.13	133,168.38	179,773.40
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	7,597.28	7,424.69	11,535.74	26,557.71
(Increase) decrease in Receivables	1,363.56	329.09	12,124.35	13,817.00
(Increase) decrease in Inventories	(962.79)	27.78	(1,856.02)	(2,791.03)
(Increase) decrease in Prepaid Expenses		(359.16)	(198.42)	(557.58)
(Decrease) increase in Accounts and Other Payables	(3,105.09)	128.88	7,208.44	4,232.23
(Decrease) increase in Accrued Leave Payable	1,333.90		41.86	1,375.76
(Decrease) increase in Customer Deposits			25.00	25.00
Net Cash Provided (Used) by Operating Activities	(14,463.25)	74,846.41	162,049.33	222,432.49

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

The Housing and Redevelopment Commission of the Municipality of Burke, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Burke Housing and Redevelopment Commission, Burke, SD 57523.

b. Basis of Presentation:

Government-wide Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
 - c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Electric Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

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

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. 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.

e. Capital Assets:

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

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

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The total December 31, 2015 balance of governmental activities capital assets includes approximately 14 percent for which the costs were determined by estimates of the original costs. The total December 31, 2015 balance of business-type capital assets includes approximately 32 percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	25-50 yrs.
Buildings	\$ 5,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	15-25 yrs.
Infrastructure	\$ 5,000.00	Straight-line	25-50 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	25-50 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

f. Long-Term Liabilities:

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

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

g. 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.

h. 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.

i. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

j. Cash and Cash Equivalents:

For the purposes of the proprietary fund's Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

k. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

l. 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.

m. 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:

- a. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- b. 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.
- c. 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- d. 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.
- e. 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 reported in non-spendable form such as inventory and prepaid expenses.
- Amount legally or contractually required to be maintained intact such as the South Dakota Insurance Reserve.

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

Fund Balance Type:	2014 <u>Amount</u>	2015 <u>Amount</u>	<u>Action</u>
Casualty Reserve	\$ 66,261.35	\$ 66,261.35	Ordinance
Civic Center	\$ 85,066.69	\$ 90,109.13	Ordinance

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government 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.

n. 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:

General Fund:	<u>Year Ended</u> <u>12/31/2015</u>
<u>Activity</u>	
General Government - Legislative	\$ 301.57
Miscellaneous - Liquor Operating Agreements	\$ 25.00

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Deposits - The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public 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>Maturities</u>	<u>Fair Value 2015</u>	<u>Fair Value 2014</u>
External Investment Pools:				
SDFIT	Unrated	N/A	<u>\$ 45,503.57</u>	<u>\$ 45,499.01</u>
Total Investments			<u><u>\$ 45,503.57</u></u>	<u><u>\$ 45,499.01</u></u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk – the Municipality places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Municipality’s investments are in SDFIT (100%).

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality’s policy is to credit all income from investments to the fund making the investment except enterprise funds which is credited to the General Fund which is an immaterial amount.

4. RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 14,543.78	Cumulative reserve fund with the South Dakota Public Assurance Alliance

5. RECEIVABLES AND PAYABLES

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

6. INVENTORY

Inventory is the enterprise funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

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

Fund Financial Statements:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. 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.

8. CHANGES IN GENERAL 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
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	121,680.00			121,680.00
Construction Work in Progress	0.00	597,339.35		597,339.35
Total, not being Depreciated	<u>121,680.00</u>	<u>597,339.35</u>	<u>0.00</u>	<u>719,019.35</u>
Capital Assets, being Depreciated:				
Buildings	1,168,210.00			1,168,210.00
Improvements Other Than Buildings	1,237,383.64	90.00		1,237,473.64
Machinery and Equipment	311,943.92	187,674.70	(131,195.00)	368,423.62
Total, being Depreciated	<u>2,717,537.56</u>	<u>187,764.70</u>	<u>(131,195.00)</u>	<u>2,774,107.26</u>
Less Accumulated Depreciation for:				
Buildings	(471,700.76)	(45,298.28)		(516,999.04)
Improvements Other Than Buildings	(427,052.84)	(115,116.31)		(542,169.15)
Machinery and Equipment	(199,648.63)	(57,164.33)	84,666.58	(172,146.38)
Total Accumulated Depreciation	<u>(1,098,402.23)</u>	<u>(217,578.92)</u>	<u>84,666.58</u>	<u>(1,231,314.57)</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>1,619,135.33</u>	<u>(29,814.22)</u>	<u>(46,528.42)</u>	<u>1,542,792.69</u>
Governmental Activity Capital Assets, Net	<u>1,740,815.33</u>	<u>567,525.13</u>	<u>(46,528.42)</u>	<u>2,261,812.04</u>

Depreciation expense was charged to functions as follows:

	2014	2015
Governmental Activities:		
General Government	\$ 2,845.16	\$ 4,296.74
Public Safety	3,770.08	5,348.12
Public Works	85,341.61	73,687.08
Culture and Recreation	21,069.09	21,221.04
Total Depreciation Expense - Governmental Activities	<u>\$ 113,025.94</u>	<u>\$ 104,552.98</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2015
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	35,645.00			35,645.00
Total, not being Depreciated	<u>35,645.00</u>	<u>0.00</u>	<u>0.00</u>	<u>35,645.00</u>
Capital Assets, being Depreciated:				
Buildings	62,500.00			62,500.00
Improvements Other Than Buildings	1,353,091.95	14,344.00		1,367,435.95
Machinery and Equipment	117,614.00	2,599.95		120,213.95
Total, being Depreciated	<u>1,533,205.95</u>	<u>16,943.95</u>	<u>0.00</u>	<u>1,550,149.90</u>
Less Accumulated Depreciation for:				
Buildings	(54,687.50)	(3,125.00)		(57,812.50)
Improvements Other Than Buildings	(968,313.28)	(36,720.28)		(1,005,033.56)
Machinery and Equipment	(51,157.50)	(12,992.78)		(64,150.28)
Total Accumulated Depreciation	<u>(1,074,158.28)</u>	<u>(52,838.06)</u>	<u>0.00</u>	<u>(1,126,996.34)</u>
Total Business-Type Activities Capital Assets, being Depreciated, Net	<u>459,047.67</u>	<u>(35,894.11)</u>	<u>0.00</u>	<u>423,153.56</u>
Business-Type Activity Capital Assets, Net	<u>494,692.67</u>	<u>(35,894.11)</u>	<u>0.00</u>	<u>458,798.56</u>

Depreciation expense was charged to functions as follows:

	2014	2015
Business-Type Activities:		
Water	\$ 7,597.28	\$ 7,857.28
Sewer	7,424.69	7,412.65
Electric	11,535.74	11,010.42
Total Depreciation Expense - Business-Type Activities	<u>\$ 26,557.71</u>	<u>\$ 26,280.35</u>

Construction Work in Progress at December 31, 2015 is composed of the following:

Project Name	Project Authorization	Expended Thru 12/31/2015	Committed	Committed
7th Street Renovations	\$ 599,339.35	\$ 597,339.35	\$ 2,000.00	\$0.00

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the two years ended September 30, 2015 is as follows:

	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2015
Land	21,050.00			21,050.00
Construction Work in Progress	22,593.71		(22,566.67)	27.04
Buildings	1,624,498.31	37,782.23		1,662,280.54
Machinery and Equipment	141,734.62			141,734.62
Accumulated Depreciation	(1,458,982.90)	(98,567.67)		(1,557,550.57)
TOTAL	350,893.74	(60,785.44)	(22,566.67)	267,541.63

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue					
Bonds - Series 2015	0.00	200,000.00		200,000.00	17,087.71
Total Debt	0.00	200,000.00	0.00	200,000.00	17,087.71
Accrued Compensated Absences- Governmental Funds	23,358.86	25,613.71	28,862.13	20,110.44	10,000.00
Total Governmental Activities	23,358.86	225,613.71	28,862.13	220,110.44	27,087.71
Business-Type Activities:					
Bonds Payable:					
SRF - Clean Water Revenue					
Borrower Bonds - Series 2006	120,175.95		13,713.99	106,461.96	7,197.19
SRF - Drinking Water Revenue					
Borrower Bonds - Series 2006	96,556.01		6,285.94	90,270.07	3,262.44
Total Debt	216,731.96	0.00	19,999.93	196,732.03	10,459.63
Accrued Compensated Absences- Governmental Funds	10,988.60	8,434.35	7,226.22	12,196.73	4,000.00
Total Business-Type Activities	227,720.56	8,434.35	27,226.15	208,928.76	14,459.63
TOTAL PRIMARY GOVERNMENT	251,079.42	234,048.06	56,088.28	429,039.20	41,547.34

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Sales Tax Revenue Bonds, Series 2015; Interest Rate 3.450%; Maturing June 24, 2025; Paid by General Fund	\$ 200,000.00
State Revolving Loan Fund – Clean Water Revenue Borrower Bond, Series 2006; Interest Rate 3.250%; Maturing January 15, 2028; Paid by Sewer Fund	\$ 106,461.96
State Revolving Loan Fund – Drinking Water Revenue Borrower Bond, Series 2006; Interest Rate 2.500%; Maturing January 15, 2037; Paid by Water Fund	\$ 90,270.07
Compensated Absences: Accrued Vacation and Sick Leave Balances for employees paid by the following funds:	
General Fund	\$ 20,110.44
Water Fund	\$ 11,404.43
Electric Fund	\$ 792.30

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize 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 Dec. 31,	Sales Tax Revenue Bonds, Series 2015		SRF - Clean Water Loan - Series 2006	
	Principal	Interest	Principal	Interest
2016	17,087.71	2,951.67	7,197.19	3,372.89
2017	17,677.23	6,310.47	7,433.96	3,136.12
2018	18,287.10	5,700.61	7,678.53	2,891.55
2019	18,918.00	5,069.70	7,931.14	2,638.94
2020	19,570.67	4,417.03	8,192.06	2,378.02
2021-2025	108,459.29	11,479.25	45,184.63	7,665.77
2026-2030			22,844.45	938.23
2031-2035				
2036-2040				
Totals	<u>200,000.00</u>	<u>35,928.73</u>	<u>106,461.96</u>	<u>23,021.52</u>

Year Ending Dec. 31,	SRF - Drinking Water Loan - Series 2006		Totals	
	Principal	Interest	Principal	Interest
2016	3,262.44	2,226.32	27,547.34	8,550.88
2017	3,344.76	2,144.00	28,455.95	11,590.59
2018	3,429.17	2,059.59	29,394.80	10,651.75
2019	3,515.70	1,973.06	30,364.84	9,681.70
2020	3,604.43	1,884.33	31,367.16	8,679.38
2021-2025	19,433.30	8,010.50	173,077.22	27,155.52
2026-2030	22,012.25	5,431.55	44,856.70	6,369.78
2031-2035	24,933.45	2,510.35	24,933.45	2,510.35
2036-2040	6,734.57	126.38	6,734.57	126.38
Totals	<u>90,270.07</u>	<u>26,366.08</u>	<u>396,732.03</u>	<u>85,316.33</u>

11. LONG-TERM COMMITMENT

In 2000, the Municipality of Burke entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$2,100.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The following are the minimum payments on this commitment:

2016	\$	25,200.00
2017	\$	25,200.00
2018	\$	25,200.00
2019	\$	25,200.00
2020	\$	25,200.00
2021-2025	\$	126,000.00
2026-2030	\$	126,000.00
2031-2035	\$	126,000.00

12. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2014 and 2015 were as follows:

Major Purposes:	<u>12/31/2014</u>	<u>12/31/2015</u>
Cumulative Insurance Reserve	\$ 14,543.78	\$ 14,573.78
Equipment Repair and/or Replacement	157,617.51	157,617.51
SDRS Pension Purposes		39,166.02
Total Restricted Net Position	<u>\$ 172,161.29</u>	<u>\$ 211,357.31</u>

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

13. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
General Fund		50,000.00	50,000.00
Sewer Fund	34,177.23		34,177.23
Electric Fund	145,933.33		145,933.33
TOTAL	<u>180,110.56</u>	<u>50,000.00</u>	<u>230,110.56</u>

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

<u>Transfers From:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
General Fund		10,000.00	10,000.00
Sewer Fund	20,747.88		20,747.88
Electric Fund	200,237.36		200,237.36
TOTAL	<u>220,985.24</u>	<u>10,000.00</u>	<u>230,985.24</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality.

14. 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position January 1, 2015, as previously reported	2,386,628.78	863,783.62	3,250,412.40
Restatement for pension accounting:			
Net Pension Asset	37,072.78	14,460.94	51,533.72
Pension Related Deferred Outflows of Resources	30,249.89	11,799.54	42,049.43
Pension Related Deferred Inflows of Resources	(42,936.53)	(16,748.20)	(59,684.73)
Net Position January 1, 2015, as restated	<u>2,411,014.92</u>	<u>873,295.90</u>	<u>3,284,310.82</u>

15. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$8,401.09, \$8,048.70, and \$7,262.17, 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	\$ 810,826.39
Less proportionate share of total pension liability	<u>\$ 778,914.96</u>
Proportionate share of net pension liability (asset)	<u>\$ (31,911.43)</u>

At December 31, 2015, the Municipality reported a liability (asset) of \$(31,911.43) 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 0.007524%, which is an increase of 0.0003711% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$3,133.49. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 6,534.02	
Changes in assumption.	\$ 25,303.76	
Net Difference between projected and actual earnings on pension plan investments.	\$ 19,494.15	\$ 47,085.93
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.		\$ 1,199.82
Municipality contributions subsequent to the measurement date.	\$ 4,208.41	
TOTAL	\$ 55,540.34	\$ 48,285.75

\$4,208.41 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	\$	1,512.11
2017	\$	1,512.11
2018	\$	(4,067.98)
2019	\$	5,289.76
TOTAL	\$	4,246.00

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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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	<u>100%</u>	

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 proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 80,320.72	\$(31,911.43)	\$(123,427.09)

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position:

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

16. SIGNIFICANT CONTINGENCIES - LITIGATION

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

17. 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 biennial period ended December 31, 2015, the Municipality managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

The agreement with the SDPAA provides that the above coverages will be provided to a \$2,000,000 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 the 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%

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$14,543.78.

The Municipality carries a \$500 deductible for public officials coverage and \$2,000 deductible for the police liability coverage.

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

Worker's Compensation:

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
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		
Revenues:				
Taxes:				
General Property Taxes	135,961.00	135,961.00	138,430.13	2,469.13
General Sales and Use Taxes	250,000.00	250,000.00	275,437.14	25,437.14
Gross Receipts Business Taxes	195,350.00	195,350.00	0.00	(195,350.00)
Amusement Taxes	250.00	250.00	0.00	(250.00)
Penalties & Interest on Delinquent Taxes	500.00	500.00	408.27	(91.73)
Licenses and Permits	1,200.00	1,150.00	1,295.00	145.00
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	1,000.00	1,000.00	0.00	(1,000.00)
State Grants	0.00	0.00	200,000.00	200,000.00
State Shared Revenue:				
Bank Franchise Tax	1,100.00	1,100.00	403.65	(696.35)
Prorate License Fees	1,500.00	1,500.00	1,764.77	264.77
Liquor Tax Reversion	3,000.00	3,000.00	3,755.85	755.85
Motor Vehicle Licenses	4,500.00	4,500.00	6,732.91	2,232.91
Local Government Highway and Bridge Fund	22,000.00	22,000.00	32,229.53	10,229.53
County Shared Revenue:				
County Road Tax	3,000.00	3,000.00	3,000.92	0.92
Charges for Goods and Services:				
Culture and Recreation	1,000.00	1,000.00	2,180.00	1,180.00
Other	500.00	500.00	516.62	16.62
Miscellaneous Revenue:				
Investment Earnings	1,100.00	1,100.00	2,255.56	1,155.56
Rentals	2,500.00	2,500.00	2,260.00	(240.00)
Special Assessments	0.00	0.00	3,236.40	3,236.40
Contributions and Donations from Private Sources	1,250.00	1,250.00	52,431.32	51,181.32
Liquor Operating Agreement Income	10,350.00	10,350.00	6,866.35	(3,483.65)
Other	12,500.00	12,500.00	50,951.13	38,451.13
Total Revenue	648,561.00	648,511.00	784,155.55	135,644.55
Expenditures:				
General Government:				
Legislative	3,000.00	3,900.00	4,201.57	(301.57)
Executive	13,288.00	13,288.00	11,955.25	1,332.75
Elections	500.00	500.00	375.00	125.00
Financial Administration	86,360.00	90,160.00	81,273.87	8,886.13
Other	154,800.00	154,800.00	71,925.76	82,874.24
Total General Government	257,948.00	262,648.00	169,731.45	92,916.55

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
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		
Expenditures (continued):				
Public Safety:				
Police	80,966.00	105,966.00	105,807.44	158.56
Fire	12,500.00	12,500.00	8,304.50	4,195.50
Total Public Safety	93,466.00	118,466.00	114,111.94	4,354.06
Public Works:				
Highways and Streets	684,250.00	744,250.00	720,966.23	23,283.77
Total Public Works	684,250.00	744,250.00	720,966.23	23,283.77
Health and Welfare:				
Health	25,000.00	25,000.00	1,524.02	23,475.98
Total Health and Welfare	25,000.00	25,000.00	1,524.02	23,475.98
Culture and Recreation:				
Recreation	4,850.00	4,850.00	2,328.67	2,521.33
Parks	25,000.00	25,000.00	12,970.96	12,029.04
Libraries	19,550.00	19,550.00	18,540.87	1,009.13
Civic Center	42,500.00	42,500.00	39,067.11	3,432.89
Total Culture and Recreation	91,900.00	91,900.00	72,907.61	18,992.39
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	8,166.00	80,866.00	80,795.20	70.80
Total Conservation and Development	8,166.00	80,866.00	80,795.20	70.80
Miscellaneous:				
Liquor Operating Agreements	0.00	0.00	25.00	(25.00)
Total Miscellaneous	0.00	0.00	25.00	(25.00)
Total Expenditures	1,160,730.00	1,323,130.00	1,160,061.45	163,068.55
Excess of Revenue Over (Under) Expenditures	(512,169.00)	(674,619.00)	(375,905.90)	298,713.10
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	225,985.24	225,985.24
Sale of Municipal Property	0.00	0.00	5,260.00	5,260.00
Long-Term Debt Issued	200,000.00	200,000.00	200,000.00	0.00
Transfers Out	0.00	0.00	(15,000.00)	(15,000.00)
Total Other Financing Sources (Uses)	200,000.00	200,000.00	416,245.24	216,245.24
Net Change in Fund Balances	(312,169.00)	(474,619.00)	40,339.34	514,958.34
Fund Balance - Beginning	697,573.39	697,573.39	697,573.39	0.00
FUND BALANCE - ENDING	385,404.39	222,954.39	737,912.73	514,958.34

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
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		
Revenues:				
Taxes:				
General Property Taxes	129,935.00	129,935.00	135,783.12	5,848.12
General Sales and Use Taxes	225,000.00	225,000.00	280,648.95	55,648.95
Amusement Taxes	250.00	250.00	108.00	(142.00)
Penalties & Interest on Delinquent Taxes	250.00	250.00	1,151.62	901.62
Licenses and Permits	1,100.00	1,100.00	1,265.00	165.00
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	1,000.00	1,000.00	2,928.19	1,928.19
State Grants	0.00	0.00	5,000.00	5,000.00
State Shared Revenue:				
Bank Franchise Tax	1,000.00	1,000.00	1,070.13	70.13
Motor Vehicle Commercial Prorate	1,000.00	1,000.00	3,479.98	2,479.98
Liquor Tax Reversion	3,000.00	3,000.00	4,673.69	1,673.69
Motor Vehicle Licenses	4,500.00	4,500.00	4,725.75	225.75
Local Government Highway and Bridge Fund	20,000.00	20,000.00	31,730.98	11,730.98
County Shared Revenue:				
County Road Tax	3,000.00	3,000.00	3,000.92	0.92
Charges for Goods and Services:				
Culture and Recreation	1,000.00	1,000.00	1,700.00	700.00
Other	500.00	500.00	395.37	(104.63)
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	30.57	30.57
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	1,342.96	342.96
Rentals	2,500.00	2,500.00	1,980.00	(520.00)
Contributions and Donations from Private Sources	1,250.00	1,250.00	41,960.31	40,710.31
Liquor Operating Agreement Income	69,000.00	69,000.00	32,245.03	(36,754.97)
Other	7,815.00	7,815.00	7,487.98	(327.02)
Total Revenue	473,100.00	473,100.00	562,708.55	89,608.55
Expenditures:				
General Government:				
Legislative	3,000.00	3,100.00	2,919.21	180.79
Executive	13,150.00	13,150.00	11,966.50	1,183.50
Elections	500.00	500.00	0.00	500.00
Financial Administration	95,700.00	95,980.00	85,118.94	10,861.06
Other	91,900.00	91,900.00	71,242.18	20,657.82
Total General Government	204,250.00	204,630.00	171,246.83	33,383.17

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF BURKE
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		
Expenditures (continued):				
Public Safety:				
Police	85,150.00	85,150.00	73,132.67	12,017.33
Fire	12,500.00	12,500.00	10,382.20	2,117.80
Total Public Safety	97,650.00	97,650.00	83,514.87	14,135.13
Public Works:				
Highways and Streets	740,050.00	740,050.00	234,858.14	505,191.86
Total Public Works	740,050.00	740,050.00	234,858.14	505,191.86
Health and Welfare:				
Health	25,000.00	25,000.00	584.50	24,415.50
Total Health and Welfare	25,000.00	25,000.00	584.50	24,415.50
Culture and Recreation:				
Recreation	3,650.00	3,650.00	2,423.63	1,226.37
Parks	21,000.00	21,000.00	11,347.32	9,652.68
Libraries	15,100.00	15,100.00	12,871.85	2,228.15
Civic Center	41,000.00	41,000.00	31,384.49	9,615.51
Total Culture and Recreation	80,750.00	80,750.00	58,027.29	22,722.71
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	1,039.00	48,039.00	46,210.71	1,828.29
Total Conservation and Development	1,039.00	48,039.00	46,210.71	1,828.29
Miscellaneous:				
Liquor Operating Agreements	60,000.00	60,000.00	19,092.93	40,907.07
Total Miscellaneous	60,000.00	60,000.00	19,092.93	40,907.07
Total Expenditures	1,208,739.00	1,256,119.00	613,535.27	642,583.73
Excess of Revenue Over (Under) Expenditures	(735,639.00)	(783,019.00)	(50,826.72)	732,192.28
Other Financing Sources (Uses):				
Transfers In	532,890.00	532,890.00	185,110.56	(347,779.44)
Sale of Municipal Property	0.00	0.00	95,450.00	95,450.00
Transfers Out	0.00	0.00	(55,000.00)	(55,000.00)
Total Other Financing Sources (Uses)	532,890.00	532,890.00	225,560.56	(307,329.44)
Net Change in Fund Balances	(202,749.00)	(250,129.00)	174,733.84	424,862.84
Fund Balance - Beginning	522,839.55	522,839.55	522,839.55	0.00
FUND BALANCE - ENDING	320,090.55	272,710.55	697,573.39	424,862.84

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

NOTE 1. Budgets and Budgetary Accounting

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

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

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

The Municipality did not encumber any amounts at December 31, 2014 or 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)	0.007524%
Municipality's proportionate share of net pension liability (asset)	\$ (32)
Municipality's covered-employee payroll	\$ 137
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(23.36%)
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.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 8
Contributions in relation to the contractually required contribution	<u>\$ 8</u>
Contribution deficiency (excess)	\$ -
Municipality's covered-employee payroll	\$ 140
Contributions as a percentage of covered-employee payroll	5.71%