

**MUNICIPALITY OF COLTON
COLTON, 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 COLTON

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Ryan Fods

GOVERNING BOARD:

Rick Lehman, President
Cory Price, Vice-President
Colby Jensen
LeRoy Koopman
Jeff Pedersen
Matthew Swartwout

FINANCE OFFICER:

Heather Madison

ATTORNEY:

Meierhenry Law Firm

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 Colton
Colton, 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 Colton, South Dakota (Municipality), as of December 31, 2015 and 2014, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 9, 2016, which was adverse for the governmental activities, the business-type activities, and each major fund because of inadequate capital asset and depreciation records.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control over financial reporting 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 and 2015-002 to be material weaknesses.

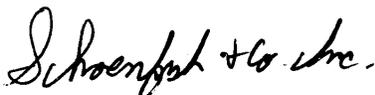
Compliance and Other Matters

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, contracts and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2015-003.

The Municipality of Colton's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. We did not audit the Municipality's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, the governing board and management of the Municipality of Colton, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, 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 9, 2016

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

A material weakness in controls existed due to a lack of proper segregation of duties. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. This comment has not been corrected and is restated as current audit finding number 2015-001.

Finding Number 2013-002:

General Capital Assets and Enterprise Fund Depreciation Schedules were not maintained for some items, resulting in an increased potential for loss of assets and diminished reliability of accounting data. This comment has been corrected.

Finding Number 2013-003:

Expenditures exceeded the amounts budgeted in the Second Penny Fund in 2012 and 2013. This comment has not been corrected and is restated as current audit finding number 2015-003.

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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 for revenues. This is the eighth consecutive audit in which a similar finding has occurred.

Criteria:

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

Condition:

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

Effect:

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

Finding Number 2015-002:

Material weaknesses were noted in internal accounting control and record keeping resulting in diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded. This is the first consecutive audit in which a similar deficiency has occurred.

Criteria:

Proper preparation of municipal records results in increased reliability of reported financial data and decreased potential for the loss of public assets.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Condition:

The following deficiencies in internal accounting control and record keeping were noted:

- a. The following deficiencies were noted:
 1. Accounts receivable were not accurate because of not posting utility batches;
 2. Notes receivable for sale of the municipal bar was not recorded;
 3. General capital asset records, enterprise fund capital asset, and depreciation records were not properly maintained;
 4. Inventories were not updated by the maintenance department; and
 5. Bank reconciliations were not done accurately or in a timely manner.
 6. Water Deposits must be developed into a complete listing of outstanding deposits.
- b. The receipts were not written for revenue in a timely manner.
- c. Bank balances were not compared to the records for accuracy and cash balances were not correct due to a switch in software and not posting utility payments.
- d. Accurate monthly financial reports were not provided to the governing board.

SDCL 9-14-18 states that the finance officer "shall keep regular books of account in which shall be entered all indebtedness of the Municipality, and which shall at all times show the financial condition of the Municipality, the amount of bonds, warrants, certificates, or other evidences of indebtedness issued by the governing body, and the amounts of all bonds, warrants, certificates, or other evidences of indebtedness which have been redeemed and the amount of each outstanding."

SDCL 9-14-19 states that the finance officer "shall supervise the accounting system for all departments and offices of the Municipality in accordance with the recommendations of the Department of Legislative Audit."

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, and improper records were maintained for the Municipality of Canistota.

Recommendations:

2. We recommend that financial information be more accurately presented and the finance officer gain more knowledge of the operation of the computer software.
3. We recommend that all necessary accounting records be established and properly maintained.

Management's Response:

The Municipality of Colton Mayor, Ryan Fods, is the contact person responsible for the corrective action plan for this comment. We will attempt to be more accurate and complete when preparing the financial statements and obtain sufficient expertise to do so.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Compliance – Related Finding:

Finding Number 2015-003:

Expenditures exceeded the amounts budgeted in the Second Penny Fund in 2014 and the General Fund in 2014 and 2015. The General Fund was supplemented amounts by more than was available in 2015. This is the third consecutive audit in which a similar deficiency has occurred.

Criteria:

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

Condition:

The Municipality expended money in excess of amounts budgeted without supplementing the budget as allowed by SDCL 9-21-7. Also, the Municipality budgeted to spend more than available, which is not allowed as stated in SDCL 9-21-9.

Effect:

Without amending the budget or limiting expenditures, expenditures are being made without proper authority. Also, budgets are not being properly adopted in accordance with budgetary guidelines.

Recommendation:

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

Management's Response:

The Municipality of Colton Mayor, Ryan Fods, is the contact person responsible for the corrective action plan for this comment. The Municipality will be more careful to follow the budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the Finance Officer during the course of the audit and on June 9, 2016.

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Colton
Colton, 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 Colton, South Dakota, (Municipality) as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinions

Evidence supporting the reported value of general capital assets, proprietary capital assets, and accumulated depreciation was inadequate and we were unable to satisfy ourselves as to the reported value of these items. Also, depreciation expense was incomplete and not accurately reported in the enterprise funds, which is required by generally accepted accounting principles.

Adverse Opinions

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinions” paragraph, the financial statements referred to above do not present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the Municipality of Colton as of December 31, 2015, and the respective changes in financial position and the cash flows, where applicable, thereof for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard. As described in Note 13 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 13 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 49 through 56, 58, and 59, 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 9, 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, grant agreements) 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.
Schoenfish & Co., Inc.
Certified Public Accountants
August 9, 2016

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
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MUNICIPALITY OF COLTON
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	350,323.74	785,031.91	1,135,355.65
Accounts Receivable, Net	18,014.44	19,344.98	37,359.42
Other Assets	23,318.75		23,318.75
Net Pension Asset	8,099.17	7,790.80	15,889.97
Capital Assets:			
Land	11,600.00	1,000.00	12,600.00
Other Capital Assets, Net of Depreciation	594,887.13	1,702,055.07	2,296,942.20
TOTAL ASSETS	1,006,243.23	2,515,222.76	3,521,465.99
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	14,120.81	13,583.16	27,703.97
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,120.81	13,583.16	27,703.97
LIABILITIES :			
Other Current Liabilities		14,750.00	14,750.00
Noncurrent Liabilities:			
Due Within One Year	11,039.90	38,157.04	49,196.94
Due in More than One Year	133,728.46	751,676.11	885,404.57
TOTAL LIABILITIES	144,768.36	804,583.15	949,351.51
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	11,950.49	11,495.48	23,445.97
TOTAL DEFERRED INFLOWS OF RESOURCES	11,950.49	11,495.48	23,445.97
NET POSITION:			
Net Investment in Capital Assets	461,718.77	913,221.92	1,374,940.69
Restricted for:			
SDRS Pension Purposes	10,269.49	9,878.48	20,147.97
Recreation Purposes	36,413.26		36,413.26
Unrestricted (Deficit)	355,243.67	789,626.89	1,144,870.56
TOTAL NET POSITION	863,645.19	1,712,727.29	2,576,372.48

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	77,562.67	3,502.50			(74,060.17)		(74,060.17)
Public Safety	56,375.23				(56,375.23)		(56,375.23)
Public Works	116,226.76	3,540.65	48,515.32	96,000.00	31,829.21		31,829.21
Health and Welfare	10,735.40		1,605.00		(9,130.40)		(9,130.40)
Culture and Recreation	68,588.89	7,094.34			(61,494.55)		(61,494.55)
Conservation and Development	2,701.71				(2,701.71)		(2,701.71)
Miscellaneous	4,801.18	16,114.99			11,313.81		11,313.81
*Interest on Long-term Debt	7,257.80				(7,257.80)		(7,257.80)
Total Governmental Activities	344,249.64	30,252.48	50,120.32	96,000.00	(167,876.84)		(167,876.84)
Business-type Activities:							
Water	134,252.49	162,756.91				28,504.42	28,504.42
Sewer	61,753.21	68,251.80				6,498.59	6,498.59
Total Business-type Activities	196,005.70	231,008.71	0.00	0.00		35,003.01	35,003.01
Total Primary Government	540,255.34	261,261.19	50,120.32	96,000.00	(167,876.84)	35,003.01	(132,873.83)
General Revenues:							
Taxes:							
Property Taxes					181,212.70		181,212.70
Sales Taxes					113,829.80		113,829.80
State Shared Revenues					13,146.88		13,146.88
Unrestricted Investment Earnings					798.73	464.59	1,263.32
Miscellaneous Revenue					33,455.96		33,455.96
Total General Revenues					342,444.07	464.59	342,908.66
Change in Net Position					174,567.23	35,467.60	210,034.83
Net Position - Beginning					680,065.89	1,668,590.75	2,348,656.64
Adjustments:							
Prior Period Adjustment for GASB 68 - See Note 13.					9,012.07	8,668.94	17,681.01
Adjusted Net Position-Beginning					689,077.96	1,677,259.69	2,366,337.65
NET POSITION - ENDING					863,645.19	1,712,727.29	2,576,372.48

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

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

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

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Projects Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	57,931.98	255,978.50	36,413.26		350,323.74
Taxes Receivable--Delinquent	17,667.11				17,667.11
Accounts Receivable, Net	347.33				347.33
Notes Receivable	23,318.75				23,318.75
Due from 5th Street Capital Projects Fund		41,719.81			41,719.81
TOTAL ASSETS	99,265.17	297,698.31	36,413.26	0.00	433,376.74
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Due to Second Penny Sales Tax Fund				41,719.81	41,719.81
Total Liabilities	0.00	0.00	0.00	41,719.81	41,719.81
Deferred Inflows of Resources:					
Unavailable Revenue--Property Taxes	17,667.11				17,667.11
Total Deferred Inflows of Resources	17,667.11	0.00	0.00	0.00	17,667.11
Fund Balances:					
Nonspendable for Notes Receivable	23,318.75				23,318.75
Restricted for Recreation and Promotion			36,413.26		36,413.26
Committed for Debt Retirement		297,698.31			297,698.31
Unassigned	58,279.31			(41,719.81)	16,559.50
Total Fund Balances	81,598.06	297,698.31	36,413.26	(41,719.81)	373,989.82
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	99,265.17	297,698.31	36,413.26	0.00	433,376.74

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

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

Total Fund Balances - Governmental Funds	<u>373,989.82</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>8,099.17</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>606,487.13</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>14,120.81</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>(144,768.36)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>17,667.11</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(11,950.49)</u>
Net Position - Governmental Activities	<u><u>863,645.19</u></u>

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

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

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Project Fund	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes	175,620.02				175,620.02
General Sales and Use Taxes	55,023.08	53,756.08	5,050.64		113,829.80
Amusement Taxes	96.00				96.00
Penalties and Interest on Delinquent Taxes	311.20				311.20
Licenses and Permits	3,302.50				3,302.50
Intergovernmental Revenue:					
State Grants	1,605.00			96,000.00	97,605.00
State Shared Revenue:					
Bank Franchise Tax	7,964.37				7,964.37
Prorate License Fees	910.51				910.51
Liquor Tax Reversion	4,272.00				4,272.00
Motor Vehicle Licenses	8,219.64				8,219.64
Local Government Highway and Bridge Fund	24,664.72				24,664.72
County Shared Revenue:					
County Wheel Tax	1,701.93				1,701.93
Charges for Goods and Services:					
General Government	200.00				200.00
Sanitation	3,540.65				3,540.65
Culture and Recreation	7,094.34				7,094.34
Fines and Forfeits:					
Other	98.00				98.00
Miscellaneous Revenue:					
Investment Earnings	798.73				798.73
Rentals	2,346.00				2,346.00
Maintenance Assessments	13,929.03				13,929.03
Liquor Operating Agreement Income	13,768.99				13,768.99
Other	7,325.96				7,325.96
Total Revenue	332,792.67	53,756.08	5,050.64	96,000.00	487,599.39
Expenditures:					
General Government:					
Legislative	26,568.94				26,568.94
Elections	817.15				817.15
Financial Administration	36,231.64				36,231.64
Other	13,506.46				13,506.46
Total General Government	77,124.19	0.00	0.00	0.00	77,124.19
Public Safety:					
Police	25,522.00				25,522.00
Fire	28,616.73				28,616.73
Total Public Safety	54,138.73	0.00	0.00	0.00	54,138.73

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

MUNICIPALITY OF COLTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Project Fund	Total Governmental Funds
Expenditures (continued):					
Public Works:					
Highways and Streets	67,544.63				67,544.63
Sanitation	4,988.32				4,988.32
Total Public Works	72,532.95	0.00	0.00	0.00	72,532.95
Health and Welfare:					
Health	6,735.40				6,735.40
Ambulance	4,000.00				4,000.00
Total Health and Welfare	10,735.40	0.00	0.00	0.00	10,735.40
Culture and Recreation:					
Recreation	41,556.89				41,556.89
Parks	21,796.96				21,796.96
Libraries	1,613.13				1,613.13
Total Culture and Recreation	64,966.98	0.00	0.00	0.00	64,966.98
Conservation and Development:					
Economic Development and Assistance (Industrial Development)	2,701.71				2,701.71
Total Conservation and Development	2,701.71	0.00	0.00	0.00	2,701.71
Debt Service	15,196.65	17,244.00	0.00	0.00	32,440.65
Capital Outlay	137,624.75	0.00	0.00	0.00	137,624.75
Miscellaneous:					
Liquor Operating Agreements	4,636.32				4,636.32
Total Miscellaneous	4,636.32	0.00	0.00	0.00	4,636.32
Total Expenditures	439,657.68	17,244.00	0.00	0.00	456,901.68
Excess of Revenue Over (Under) Expenditures	(106,865.01)	36,512.08	5,050.64	96,000.00	30,697.71
Other Financing Sources (Uses):					
Sale of Municipal Property	26,032.00				26,032.00
Total Other Financing Sources (Uses)	26,032.00	0.00	0.00	0.00	26,032.00
Net Change in Fund Balances	(80,833.01)	36,512.08	5,050.64	96,000.00	56,729.71
Fund Balance - Beginning	162,431.07	261,186.23	31,362.62	(137,719.81)	317,260.11
FUND BALANCE - ENDING	81,598.06	297,698.31	36,413.26	(41,719.81)	373,989.82

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

MUNICIPALITY OF COLTON
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>56,729.71</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>137,624.75</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>(49,748.12)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(1,664.86)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>25,182.85</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>5,185.48</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>1,257.42</u>
Change in Net Position of Governmental Activities	<u><u>174,567.23</u></u>

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	486,052.47	298,979.44	785,031.91
Accounts Receivable, Net	13,845.40	5,499.58	19,344.98
Total Current Assets	499,897.87	304,479.02	804,376.89
Noncurrent Assets:			
Net Pension Asset	3,932.47	3,858.33	7,790.80
Capital Assets:			
Land	1,000.00		1,000.00
Improvements Other Than Buildings	1,683,702.44	717,563.18	2,401,265.62
Machinery and Equipment	48,750.00	61,390.00	110,140.00
Less: Accumulated Depreciation	(474,390.02)	(334,960.53)	(809,350.55)
Total Noncurrent Assets	1,262,994.89	447,850.98	1,710,845.87
TOTAL ASSETS	1,762,892.76	752,330.00	2,515,222.76
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	6,856.22	6,726.94	13,583.16
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,856.22	6,726.94	13,583.16
LIABILITIES:			
Current Liabilities:			
Customer Deposits	14,750.00		14,750.00
Bonds Payable Current:			
Revenue	32,612.45	5,544.59	38,157.04
Total Current Liabilities	47,362.45	5,544.59	52,907.04
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	626,998.90	124,677.21	751,676.11
Total Noncurrent Liabilities	626,998.90	124,677.21	751,676.11
TOTAL LIABILITIES	674,361.35	130,221.80	804,583.15
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	5,802.45	5,693.03	11,495.48
TOTAL DEFERRED INFLOWS OF RESOURCES	5,802.45	5,693.03	11,495.48
NET POSITION:			
Net Investment in Capital Assets	599,451.07	313,770.85	913,221.92
Restricted For:			
SDRS Pension Purposes	4,986.24	4,892.24	9,878.48
Unrestricted Net Position	485,147.87	304,479.02	789,626.89
TOTAL NET POSITION	1,089,585.18	623,142.11	1,712,727.29

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

MUNICIPALITY OF COLTON
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	
Operating Revenue:			
Charges for Goods and Services	93,384.04	68,251.80	161,635.84
Revenue Dedicated to Servicing Debt	69,372.87		69,372.87
Total Operating Revenue	162,756.91	68,251.80	231,008.71
Operating Expenses:			
Personal Services	17,277.32	16,626.64	33,903.96
Other Current Expense	28,389.67	21,458.52	49,848.19
Materials (Cost of Goods Sold)	30,532.69		30,532.69
Depreciation	45,364.02	19,660.10	65,024.12
Total Operating Expenses	121,563.70	57,745.26	179,308.96
Operating Income (Loss)	41,193.21	10,506.54	51,699.75
Nonoperating Revenue (Expense):			
Investment Earnings	141.00	323.59	464.59
Interest Expense	(12,688.79)	(4,007.95)	(16,696.74)
Total Nonoperating Revenue (Expense)	(12,547.79)	(3,684.36)	(16,232.15)
Change in Net Position	28,645.42	6,822.18	35,467.60
Net Position - Beginning	1,056,564.04	612,026.71	1,668,590.75
Adjustments:			
Prior Period Adjustment for GASB 68 (See Note 13)	4,375.72	4,293.22	8,668.94
Adjusted Net Position - Beginning	1,060,939.76	616,319.93	1,677,259.69
NET POSITION - ENDING	1,089,585.18	623,142.11	1,712,727.29

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	161,298.62	67,756.32	229,054.94
Cash Payments to Employees for Services	(17,887.84)	(17,225.66)	(35,113.50)
Cash Payments to Suppliers of Goods and Services	(58,922.36)	(21,458.52)	(80,380.88)
Net Cash Provided (Used) by Operating Activities	<u>84,488.42</u>	<u>29,072.14</u>	<u>113,560.56</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(1,950.00)	(1,990.00)	(3,940.00)
Principal Paid on Capital Debt	(29,034.22)	(5,381.33)	(34,415.55)
Interest Paid on Capital Debt	(12,688.79)	(4,007.95)	(16,696.74)
Net Cash (Used) by Capital and Related Financing Activities	<u>(43,673.01)</u>	<u>(11,379.28)</u>	<u>(55,052.29)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	141.00	323.59	464.59
Net Cash Provided by Investing Activities	<u>141.00</u>	<u>323.59</u>	<u>464.59</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>40,956.41</u>	<u>18,016.45</u>	<u>58,972.86</u>
Balances - Beginning	445,096.06	280,962.99	726,059.05
Balances - Ending	<u>486,052.47</u>	<u>298,979.44</u>	<u>785,031.91</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	41,193.21	10,506.54	51,699.75
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	45,364.02	19,660.10	65,024.12
(Increase) decrease in Receivables	(1,958.29)	(495.48)	(2,453.77)
(Increase) decrease in Pension Related Deferred Outflows	(1,420.60)	(1,393.81)	(2,814.41)
(Decrease) increase in Pension Related Deferred Inflows	(1,958.51)	(1,921.59)	(3,880.10)
(Increase) decrease in Net Pension Asset	2,768.59	2,716.38	5,484.97
Customer Deposits	500.00		500.00
Net Cash Provided (Used) by Operating Activities	<u>84,488.42</u>	<u>29,072.14</u>	<u>113,560.56</u>

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

MUNICIPALITY OF COLTON
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	321,948.03	726,059.05	1,048,007.08
Accounts Receivable, Net	12,793.71	16,891.21	29,684.92
Capital Assets:			
Land	11,600.00	1,000.00	12,600.00
Other Capital Assets, Net of Depreciation	508,675.36	1,763,139.19	2,271,814.55
TOTAL ASSETS	855,017.10	2,507,089.45	3,362,106.55
LIABILITIES :			
Other Current Liabilities	5,000.00	14,250.00	19,250.00
Noncurrent Liabilities:			
Due Within One Year	25,056.02	34,415.55	59,471.57
Due in More than One Year	144,895.19	789,833.15	934,728.34
TOTAL LIABILITIES	174,951.21	838,498.70	1,013,449.91
NET POSITION:			
Net Investment in Capital Assets	350,324.15	939,890.49	1,290,214.64
Restricted for:			
Recreation and Promotion Purposes	31,362.62		31,362.62
Unrestricted (Deficit)	298,379.12	728,700.26	1,027,079.38
TOTAL NET POSITION	680,065.89	1,668,590.75	2,348,656.64

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	72,136.96	1,970.00			(70,166.96)		(70,166.96)
Public Safety	49,121.90				(49,121.90)		(49,121.90)
Public Works	110,772.35	3,420.00	34,551.81		(72,800.54)		(72,800.54)
Health and Welfare	8,476.05				(8,476.05)		(8,476.05)
Culture and Recreation	60,059.39	5,166.04			(54,893.35)		(54,893.35)
Conservation and Development	2,380.00				(2,380.00)		(2,380.00)
Miscellaneous Expenditures	8,159.04	31,647.46			23,488.42		23,488.42
*Interest on Long-term Debt	8,353.91				(8,353.91)		(8,353.91)
Total Governmental Activities	319,459.60	42,203.50	34,551.81	0.00	(242,704.29)		(242,704.29)
Business-type Activities:							
Water	141,557.78	153,520.08		35,616.00		47,578.30	47,578.30
Sewer	87,709.57	65,347.24				(22,362.33)	(22,362.33)
Total Business-type Activities	229,267.35	218,867.32	0.00	35,616.00		25,215.97	25,215.97
Total Primary Government	548,726.95	261,070.82	34,551.81	35,616.00	(242,704.29)	25,215.97	(217,488.32)
General Revenues:							
Taxes:							
Property Taxes					175,675.95		175,675.95
Sales Taxes					126,059.28		126,059.28
State Shared Revenues					13,279.19		13,279.19
Unrestricted Investment Earnings					86.14	529.61	615.75
Miscellaneous Revenue					5,560.19		5,560.19
Total General Revenues					320,660.75	529.61	321,190.36
Change in Net Position					77,956.46	25,745.58	103,702.04
Net Position - Beginning					602,109.43	1,642,845.17	2,244,954.60
NET POSITION - ENDING					680,065.89	1,668,590.75	2,348,656.64

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

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

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

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Projects Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	167,118.99	123,466.42	31,362.62		321,948.03
Taxes Receivable--Delinquent	12,481.63				12,481.63
Accounts Receivable, Net	312.08				312.08
Due from 5th Street Capital Projects Fund		137,719.81			137,719.81
TOTAL ASSETS	179,912.70	261,186.23	31,362.62	0.00	472,461.55
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Due to Second Penny Sales Tax Fund				137,719.81	137,719.81
Customer Deposits	5,000.00				5,000.00
Total Liabilities	5,000.00	0.00	0.00	137,719.81	142,719.81
Deferred Inflows of Resources:					
Unavailable Revenue--Property Taxes	12,481.63				12,481.63
Total Deferred Inflows of Resources	12,481.63	0.00	0.00	0.00	12,481.63
Fund Balances:					
Restricted for Recreation & Promotion Purposes			31,362.62		31,362.62
Committed for Debt Retirement		261,186.23			261,186.23
Unassigned	162,431.07			(137,719.81)	24,711.26
Total Fund Balances	162,431.07	261,186.23	31,362.62	(137,719.81)	317,260.11
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	179,912.70	261,186.23	31,362.62	0.00	472,461.55

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

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

Total Fund Balances - Governmental Funds	<u>317,260.11</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>520,275.36</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(169,951.21)</u>
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>12,481.63</u>
Net Position - Governmental Activities	<u><u>680,065.89</u></u>

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

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

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Project Fund	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes	172,460.37				172,460.37
General Sales and Use Taxes	52,820.55	60,534.64	12,704.09		126,059.28
Amusement Taxes	120.00				120.00
Penalties and Interest on Delinquent Taxes	233.23				233.23
Licenses and Permits	1,970.00				1,970.00
Intergovernmental Revenue:					
State Shared Revenue:					
Bank Franchise Tax	8,704.09				8,704.09
Liquor Tax Reversion	4,575.10				4,575.10
Motor Vehicle Licenses	7,642.24				7,642.24
Local Government Highway and Bridge Fund	24,283.20				24,283.20
Other	917.90				917.90
County Shared Revenue:					
County Wheel Tax	1,708.47				1,708.47
Charges for Goods and Services:					
Sanitation	3,420.00				3,420.00
Culture and Recreation	5,166.04				5,166.04
Fines and Forfeits:					
Other	90.00				90.00
Miscellaneous Revenue:					
Investment Earnings	86.14				86.14
Rentals	6,362.60				6,362.60
Liquor Operating Agreement Income	25,284.86				25,284.86
Other	5,470.19				5,470.19
Total Revenue	321,314.98	60,534.64	12,704.09	0.00	394,553.71
Expenditures:					
General Government:					
Legislative	23,347.70				23,347.70
Elections	121.14				121.14
Financial Administration	39,289.03				39,289.03
Other	9,079.09				9,079.09
Total General Government	71,836.96	0.00	0.00	0.00	71,836.96
Public Safety:					
Police	24,414.00				24,414.00
Fire	21,757.98				21,757.98
Other Protection	713.42				713.42
Total Public Safety	46,885.40	0.00	0.00	0.00	46,885.40

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

MUNICIPALITY OF COLTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	5th Street Capital Project Fund	Total Governmental Funds
Expenditures (continued):					
Public Works:					
Highways and Streets	71,484.04				71,484.04
Sanitation	2,377.79				2,377.79
Total Public Works	73,861.83	0.00	0.00	0.00	73,861.83
Health and Welfare:					
Health	4,476.05				4,476.05
Ambulance	4,000.00				4,000.00
Total Health and Welfare	8,476.05	0.00	0.00	0.00	8,476.05
Culture and Recreation:					
Recreation	37,042.10				37,042.10
Parks	17,551.59				17,551.59
Libraries	1,843.79				1,843.79
Total Culture and Recreation	56,437.48	0.00	0.00	0.00	56,437.48
Conservation and Development:					
Economic Development and Assistance (Industrial Development)	2,380.00				2,380.00
Total Conservation and Development	2,380.00	0.00	0.00	0.00	2,380.00
Debt Service	15,196.65	17,244.00	0.00	0.00	32,440.65
Capital Outlay	7,900.00	0.00	0.00	0.00	7,900.00
Miscellaneous:					
Liquor Operating Agreements	8,076.62				8,076.62
Total Miscellaneous	8,076.62	0.00	0.00	0.00	8,076.62
Total Expenditures	291,050.99	17,244.00	0.00	0.00	308,294.99
Net Change in Fund Balances	30,263.99	43,290.64	12,704.09	0.00	86,258.72
Fund Balance - Beginning	132,167.08	217,895.59	18,658.53	(137,719.81)	231,001.39
FUND BALANCE - ENDING	162,431.07	261,186.23	31,362.62	(137,719.81)	317,260.11

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

MUNICIPALITY OF COLTON
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>86,258.72</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>7,900.00</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(43,151.35)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>24,086.74</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>2,862.35</u>
Change in Net Position of Governmental Activities	<u><u>77,956.46</u></u>

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	445,096.06	280,962.99	726,059.05
Accounts Receivable, Net	11,887.11	5,004.10	16,891.21
Total Current Assets	456,983.17	285,967.09	742,950.26
Noncurrent Assets:			
Capital Assets:			
Land	1,000.00		1,000.00
Improvements Other Than Buildings	1,683,702.44	717,563.18	2,401,265.62
Machinery and Equipment	46,800.00	59,400.00	106,200.00
Less: Accumulated Depreciation	(429,026.00)	(315,300.43)	(744,326.43)
Total Noncurrent Assets	1,302,476.44	461,662.75	1,764,139.19
TOTAL ASSETS	1,759,459.61	747,629.84	2,507,089.45
LIABILITIES:			
Current Liabilities:			
Customer Deposits	14,250.00		14,250.00
Bonds Payable Current:			
Revenue	29,034.22	5,381.33	34,415.55
Total Current Liabilities	43,284.22	5,381.33	48,665.55
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	659,611.35	130,221.80	789,833.15
Total Noncurrent Liabilities	659,611.35	130,221.80	789,833.15
TOTAL LIABILITIES	702,895.57	135,603.13	838,498.70
NET POSITION:			
Net Investment in Capital Assets	613,830.87	326,059.62	939,890.49
Unrestricted	442,733.17	285,967.09	728,700.26
TOTAL NET POSITION	1,056,564.04	612,026.71	1,668,590.75

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

MUNICIPALITY OF COLTON
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	
Operating Revenue:			
Charges for Goods and Services	85,985.41	65,347.24	151,332.65
Revenue Dedicated to Servicing Debt	67,534.67		67,534.67
Total Operating Revenue	153,520.08	65,347.24	218,867.32
Operating Expenses:			
Personal Services	15,442.69	15,241.17	30,683.86
Other Current Expense	32,843.49	48,840.89	81,684.38
Materials (Cost of Goods Sold)	28,125.15		28,125.15
Depreciation	45,169.01	19,461.10	64,630.11
Total Operating Expenses	121,580.34	83,543.16	205,123.50
Operating Income (Loss)	31,939.74	(18,195.92)	13,743.82
Nonoperating Revenue (Expense):			
Investment Earnings	171.63	357.98	529.61
Interest Expense	(19,977.44)	(4,166.41)	(24,143.85)
Total Nonoperating Revenue (Expense)	(19,805.81)	(3,808.43)	(23,614.24)
Income (Loss) Before Contributions	12,133.93	(22,004.35)	(9,870.42)
Capital Contributions	35,616.00		35,616.00
Change in Net Position	47,749.93	(22,004.35)	25,745.58
Net Position - Beginning	1,008,814.11	634,031.06	1,642,845.17
NET POSITION - ENDING	1,056,564.04	612,026.71	1,668,590.75

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	163,357.69	66,214.64	229,572.33
Cash Payments to Employees for Services	(15,442.69)	(16,265.87)	(31,708.56)
Cash Payments to Suppliers of Goods and Services	(60,968.64)	(47,816.19)	(108,784.83)
Net Cash Provided (Used) by Operating Activities	<u>86,946.36</u>	<u>2,132.58</u>	<u>89,078.94</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt	142,464.00		142,464.00
Purchase of Capital Assets	(131,661.81)		(131,661.81)
Principal Paid on Capital Debt	(20,412.76)	(5,222.87)	(25,635.63)
Interest Paid on Capital Debt	(19,977.44)	(4,166.41)	(24,143.85)
Net Cash (Used) by Capital and Related Financing Activities	<u>(29,588.01)</u>	<u>(9,389.28)</u>	<u>(38,977.29)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	171.63	357.98	529.61
Net Cash Provided by Investing Activities	<u>171.63</u>	<u>357.98</u>	<u>529.61</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>57,529.98</u>	<u>(6,898.72)</u>	<u>50,631.26</u>
Balances - Beginning	387,566.08	287,861.71	675,427.79
Balances - Ending	<u>445,096.06</u>	<u>280,962.99</u>	<u>726,059.05</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	31,939.74	(18,195.92)	13,743.82
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	45,169.01	19,461.10	64,630.11
(Increase) decrease in Receivables	8,387.61	867.40	9,255.01
Customer Deposits	1,450.00		1,450.00
Net Cash Provided (Used) by Operating Activities	<u>86,946.36</u>	<u>2,132.58</u>	<u>89,078.94</u>

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

The funds of the Municipality financial reporting entity are described as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Governmental Funds:

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

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

Second Penny Sales Tax Fund – to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, and debt retirement. (Local Ordinance # 231) This is a major fund.

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

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

Fifth Street Capital Project Fund – to account for financial resources to be used for the Fifth Street improvements. This project is being done in various phases as financing allows. This is a major fund.

Proprietary Funds:

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

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

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

f. Capital Assets:

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

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

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

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

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

	<u>Threshold</u>	<u>Method</u>	<u>Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 25,000.00	Straight-line	50 yrs.
Buildings	\$ 5,000.00	Straight-line	50 yrs.
Machinery & Equipment	\$ 500.00	Straight-line	5-35 yrs.
Infrastructure	\$ 25,000.00	Straight-line	50 yrs.
Utility property and improvements	\$ 25,000.00	Straight-line	50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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 sales tax revenue bonds, SRF loans and financing (capital acquisition) leases.

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

h. Program Revenues:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on its 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 does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

m. Application of Net Position:

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

n. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:

- Amount not is cash form such as notes receivable.

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

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

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

Major Special Revenue Fund	Revenue Source
Third Penny Sales Tax Fund	Sales Tax Revenue
Second Penny Sales Tax Fund	Sales Tax Revenue

o. Pensions:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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:

	Year Ended 12/31/2014	Year Ended 12/31/2015
General Fund:		
Debt Service	15,196.65	15,196.65
Second Penny Sales Tax Fund:		
Debt Service	12,244.00	

The Municipality plans to take the following actions to address these violations: The Municipality will use supplemental budgets when legal authority exists.

3. DEFICIT FUND BALANCES/NET POSITION

As of December 31, 2015, the following individual nonmajor funds had deficit fund balance/net position in the amounts shown:

	12/31/2014	12/31/2015
5th Street Capital Projects Fund	\$137,719.81	\$41,719.81

The Governing Board plans to take the following actions to address the deficit fund balance/deficit net position:

The Municipality is waiting for additional grants to eliminate this deficit.

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

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

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. 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

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

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

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

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. NOTES RECEIVABLE

Notes Receivable consists of the amount due on a contract for deed from the sale of the municipal liquor store building. Monthly payments of \$491.26 will be received until March 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. CHANGES IN GENERAL CAPITAL ASSETS

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

	<u>Balance 01/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2015</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	11,600.00			11,600.00
Total, not being Depreciated	<u>11,600.00</u>	<u>0.00</u>	<u>0.00</u>	<u>11,600.00</u>
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	534,147.83	135,665.75		669,813.58
Machinery and Equipment	196,024.24	17,189.61	(18,485.43)	194,728.42
Total, being Depreciated	<u>730,172.07</u>	<u>152,855.36</u>	<u>(18,485.43)</u>	<u>864,542.00</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(88,383.89)	(60,198.07)		(148,581.96)
Machinery and Equipment	(97,861.47)	(32,701.40)	9,489.96	(121,072.91)
Total Accumulated Depreciation	<u>(186,245.36)</u>	<u>(92,899.47)</u>	<u>9,489.96</u>	<u>(269,654.87)</u>
Total Capital Assets, being depreciated, net	<u>543,926.71</u>	<u>59,955.89</u>	<u>(8,995.47)</u>	<u>594,887.13</u>
Governmental Activity Capital Assets, Net	<u>555,526.71</u>	<u>59,955.89</u>	<u>(8,995.47)</u>	<u>606,487.13</u>

Depreciation expense was charged to functions as follows:

	<u>2014</u>	<u>2015</u>
Governmental Activities:		
General Government	300.00	195.90
Public Safety	2,236.50	2,236.50
Public Works	36,910.52	43,693.81
Culture and Recreation	3,621.91	3,621.91
Miscellaneous Expense	82.42	0.00
Total Depreciation Expense - Governmental Activities	<u>43,151.35</u>	<u>49,748.12</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Balance</u> <u>01/01/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2015</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	1,000.00			1,000.00
Construction Work in Progress	<u>32,407.48</u>	<u>131,661.81</u>	<u>(164,069.29)</u>	<u>0.00</u>
Total, not being depreciated	<u>33,407.48</u>	<u>131,661.81</u>	<u>(164,069.29)</u>	<u>1,000.00</u>
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	2,237,196.33	164,069.29		2,401,265.62
Machinery and Equipment	<u>106,200.00</u>	<u>3,940.00</u>		<u>110,140.00</u>
Total, being depreciated	<u>2,343,396.33</u>	<u>168,009.29</u>	<u>0.00</u>	<u>2,511,405.62</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(647,162.96)	(114,753.55)		(761,916.51)
Machinery and Equipment	<u>(32,533.36)</u>	<u>(14,900.68)</u>		<u>(47,434.04)</u>
Total Accumulated Depreciation	<u>(679,696.32)</u>	<u>(129,654.23)</u>	<u>0.00</u>	<u>(809,350.55)</u>
Total Capital Assets, being depreciated, net	<u>1,663,700.01</u>	<u>38,355.06</u>	<u>0.00</u>	<u>1,702,055.07</u>
Business-Type Activity Capital Assets, Net	<u>1,697,107.49</u>	<u>170,016.87</u>	<u>(164,069.29)</u>	<u>1,703,055.07</u>

	<u>2014</u>	<u>2015</u>
Business-Type Activities:		
Water	<u>45,169.01</u>	<u>45,364.02</u>
Sewer	<u>19,461.10</u>	<u>19,660.10</u>
Total Depreciation Expense - Business-Type Activities	<u>64,630.11</u>	<u>65,024.12</u>

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning</u> <u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
RECD Sales Tax Revenue					
Bonds - Series 2006	165,626.18		20,857.82	144,768.36	11,039.90
Financing (Capital					
Acquisition) Leases	<u>28,411.77</u>		<u>28,411.77</u>	<u>0.00</u>	<u>0.00</u>
Total Governmental Activities	<u>194,037.95</u>	<u>0.00</u>	<u>49,269.59</u>	<u>144,768.36</u>	<u>11,039.90</u>

(continued on next page)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Beginning Balance 1/1/2014	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Business-Type Activities:					
Bonds Payable:					
State Revolving Fund Loan - Drinking Water No. 1	496,987.33		34,397.10	462,590.23	18,118.70
State Revolving Fund Loan - Drinking Water No. 2	94,745.00		7,134.28	87,610.72	3,730.28
State Revolving Fund Loan - Drinking Water No. 3	10,478.00	142,464.00	43,531.60	109,410.40	10,763.47
State Revolving Fund Loan - Clean Water No. 2	140,826.00		10,604.20	130,221.80	5,544.59
Total Business-Type Activities	<u>743,036.33</u>	<u>142,464.00</u>	<u>95,667.18</u>	<u>789,833.15</u>	<u>38,157.04</u>
TOTAL PRIMARY GOVERNMENT	<u>937,074.28</u>	<u>142,464.00</u>	<u>144,936.77</u>	<u>934,601.51</u>	<u>49,196.94</u>

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

Revenue Bonds:

RECD Sales Tax Revenue Bonds – Series 2006 for Street Project \$144,768.36
Interest Rate 4.3750%, Maturity August 11, 2026
Payable from Sales Tax Fund

State Revolving Fund Loan - Drinking Water No. 1:

State Revolving Fund Loan for Water Project \$462,590.23
Interest Rate 3.50%, Maturity January 15, 2034
Payable from Water Fund

State Revolving Fund Loan - Drinking Water No. 2:

State Revolving Fund Loan for Water Project on 5th Street \$ 87,610.72
Interest Rate 3.00%, Maturity October 15, 2033
Payable from Water Fund

State Revolving Fund Loan - Drinking Water No. 3:

State Revolving Fund Loan for Water Meter Project \$109,410.40
Interest Rate 2.25%, Maturity January 15, 2025
Payable from Sewer Fund

State Revolving Fund Loan - Clean Water No. 2:

State Revolving Fund Loan for 5th Street Sanitary Sewer \$130,221.80
Interest Rate 3.00%, Maturity October 15, 2033
Payable from Sewer Fund

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments of \$283,587.19, are as follows:

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

Year Ending December 31,	Sales Tax Revenue Bonds - Series 2006		State Revolving Fund Loan - Drinking Water No. 1		State Revolving Fund Loan - Drinking Water No. 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	11,039.90	6,192.10	18,118.70	15,954.58	3,730.28	2,586.64
2017	11,532.68	5,699.32	18,761.23	15,312.05	3,843.46	2,473.46
2018	12,047.47	5,184.53	19,426.54	14,646.74	3,960.07	2,356.85
2019	12,539.53	4,692.47	20,115.45	13,957.83	4,080.20	2,236.72
2020	13,099.28	4,132.72	20,828.78	13,244.50	4,204.00	2,112.92
2021-2025	74,807.09	11,352.91	115,761.39	54,605.01	23,012.37	8,572.23
2026-2030	9,702.41	1,600.46	137,795.38	32,571.02	26,721.60	4,863.00
2031-2035			111,782.76	7,473.72	18,058.74	892.50
Totals	<u>144,768.36</u>	<u>38,854.51</u>	<u>462,590.23</u>	<u>167,765.45</u>	<u>87,610.72</u>	<u>26,094.32</u>

Year Ending December 31,	State Revolving Fund Loan - Drinking Water No. 3		State Revolving Fund Loan - Clean Water No. 2		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	10,763.47	2,371.37	5,544.59	3,844.69	49,196.94	30,949.38
2017	11,007.71	2,127.13	5,712.82	3,676.46	50,857.90	29,288.42
2018	11,257.47	1,877.37	5,886.14	3,503.14	52,577.69	27,568.63
2019	11,512.92	1,621.92	6,064.71	3,324.57	54,312.81	25,833.51
2020	11,774.16	1,360.68	6,248.71	3,140.57	56,154.93	23,991.39
2021-2025	53,094.67	2,728.20	34,204.99	12,741.41	300,880.51	89,999.76
2026-2030			39,718.27	7,228.13	213,937.66	46,262.61
2031-2035			26,841.57	1,327.27	156,683.07	9,693.49
Totals	<u>109,410.40</u>	<u>12,086.67</u>	<u>130,221.80</u>	<u>38,786.24</u>	<u>934,601.51</u>	<u>283,587.19</u>

10. WATER PURCHASE OPERATING AGREEMENT

The Municipality of Colton entered into a thirty-year agreement with Minnehaha Community Water Corporation to provide water to the Municipality. A charge is paid by the Municipality to Minnehaha Community Water Corp. of \$.00175 per gallon of water consumed. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund. There are no minimum payments on this agreement.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2014 and 2015 were:

Fund	12/31/2014		12/31/2015	
	Interfund Receivables	Interfund Payables	Interfund Receivables	Interfund Payables
Special Revenue Funds:				
Second Penny Fund	137,719.81		41,719.81	
Capital Projects Funds:				
5th Street Capital Projects Fund		137,719.81		41,719.81

12. RESTRICTED NET POSITION

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

Major Purposes:	12/31/2014	12/31/2015
Recreation Purposes	31,362.62	36,413.26
SDRS Purposes		20,147.97
Total	<u>31,362.62</u>	<u>56,561.23</u>

13. PRIOR PERIOD ADJUSTMENTS

The Municipality implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Business-Type Activities	Total
Net Position January 1, 2015, as previously reported	680,065.89	1,668,590.75	2,348,656.64
Restatement for pension accounting:			
Pension Related Deferred Inflows of Resources	(15,984.17)	(15,375.58)	(31,359.75)
Net Pension Asset	13,801.24	13,275.77	27,077.01
Pension Related Deferred Outflows of Resources	11,195.00	10,768.75	21,963.75
Net Position January 1, 2015, as restated	<u>689,077.96</u>	<u>1,677,259.69</u>	<u>2,366,337.65</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$4,181.04, \$3,989.84, and \$3,895.68, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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	\$ 403,742.83
Less proportionate share of total pension liability	<u>\$ 387,852.85</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (15,889.98)</u></u>

At December 31, 2015, the Municipality reported a liability (asset) of \$(15,889.98) 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 0.0037465%, which is a decrease of 0.0000118% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$1,714.05. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 3,253.55	
Changes in assumption.	\$ 12,599.75	
Net Difference between projected and actual earnings on pension plan investments.	\$ 9,706.92	\$ 23,445.97
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 38.14	
Municipality contributions subsequent to the measurement date.	<u>\$ 2,105.61</u>	
TOTAL	<u><u>\$ 27,703.97</u></u>	<u><u>\$ 23,445.97</u></u>

\$2,105.61 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:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended
December 31:

2016	\$ 752.94
2017	\$ 752.94
2018	\$ (2,025.61)
2019	<u>\$ 2,633.98</u>
 TOTAL	 <u>\$ 2,114.25</u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.8%
Total	<u>100%</u>	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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)	\$ 39,994.89	\$(15,889.98)	\$(61,459.28)

Pension Plan Fiduciary Net Position:

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

15. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality purchase liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

Unemployment Benefits:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

16. SIGNIFICANT CONTINGENCIES – LITIGATION

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	183,605.00	183,605.00	175,620.02	(7,984.98)
General Sales and Use Taxes	60,000.00	60,000.00	55,023.08	(4,976.92)
Amusement Taxes	150.00	150.00	96.00	(54.00)
Penalties and Interest on Delinquent Taxes	0.00	0.00	311.20	311.20
Licenses and Permits	3,650.00	3,650.00	3,302.50	(347.50)
Intergovernmental Revenue:				
State Grants	0.00	0.00	1,605.00	1,605.00
State Shared Revenue:				
Bank Franchise Tax	10,000.00	10,000.00	7,964.37	(2,035.63)
Prorate License Fees	800.00	800.00	910.51	110.51
Liquor Tax Reversion	5,000.00	5,000.00	4,272.00	(728.00)
Motor Vehicle Licenses	9,000.00	9,000.00	8,219.64	(780.36)
Local Government Highway and Bridge Fund	26,000.00	26,000.00	24,664.72	(1,335.28)
County Shared Revenue:				
County Wheel Tax	2,000.00	2,000.00	1,701.93	(298.07)
Charges for Goods and Services:				
General Government	0.00	0.00	200.00	200.00
Sanitation	3,500.00	3,500.00	3,540.65	40.65
Culture and Recreation	6,000.00	6,000.00	7,094.34	1,094.34
Fines and Forfeits:				
Other	250.00	250.00	98.00	(152.00)
Miscellaneous Revenue:				
Investment Earnings	250.00	250.00	798.73	548.73
Rentals	15,600.00	15,600.00	2,346.00	(13,254.00)
Maintenance Assessments	0.00	0.00	13,929.03	13,929.03
Liquor Operating Agreement Income	27,500.00	27,500.00	13,768.99	(13,731.01)
Other	5,150.00	5,150.00	7,325.96	2,175.96
Total Revenue	358,455.00	358,455.00	332,792.67	(25,662.33)
Expenditures:				
General Government:				
Legislative	29,250.00	29,250.00	26,568.94	2,681.06
Contingency	5,000.00	5,000.00		
Amount Transferred		(4,714.00)		286.00
Elections	1,230.00	1,230.00	817.15	412.85
Financial Administration	40,120.00	41,001.70	38,190.64	2,811.06
Other	16,300.00	16,300.00	13,506.46	2,793.54
Total General Government	91,900.00	88,067.70	79,083.19	8,984.51

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Public Safety:				
Police	25,300.00	25,522.00	25,522.00	0.00
Fire	27,700.00	28,617.32	28,616.73	0.59
Other Protection	2,500.00	2,500.00	0.00	2,500.00
Total Public Safety	<u>55,500.00</u>	<u>56,639.32</u>	<u>54,138.73</u>	<u>2,500.59</u>
Public Works:				
Highways and Streets	124,080.00	321,802.80	203,210.38	118,592.42
Sanitation	6,345.00	8,911.66	4,988.32	3,923.34
Total Public Works	<u>130,425.00</u>	<u>330,714.46</u>	<u>208,198.70</u>	<u>122,515.76</u>
Health and Welfare:				
Health	6,725.00	6,772.90	6,735.40	37.50
Ambulance	4,000.00	4,000.00	4,000.00	0.00
Total Health and Welfare	<u>10,725.00</u>	<u>10,772.90</u>	<u>10,735.40</u>	<u>37.50</u>
Culture and Recreation:				
Recreation	56,750.00	56,750.00	41,556.89	15,193.11
Parks	41,250.00	41,250.00	21,796.96	19,453.04
Libraries	5,400.00	5,400.00	1,613.13	3,786.87
Total Culture and Recreation	<u>103,400.00</u>	<u>103,400.00</u>	<u>64,966.98</u>	<u>38,433.02</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	2,350.00	3,050.00	2,701.71	348.29
Total Conservation and Development	<u>2,350.00</u>	<u>3,050.00</u>	<u>2,701.71</u>	<u>348.29</u>
Debt Service	<u>0.00</u>	<u>0.00</u>	<u>15,196.65</u>	<u>(15,196.65)</u>
Miscellaneous				
Liquor Operating Agreements	16,950.00	16,950.00	4,636.32	12,313.68
Total Miscellaneous	<u>16,950.00</u>	<u>16,950.00</u>	<u>4,636.32</u>	<u>12,313.68</u>
Total Expenditures	<u>411,250.00</u>	<u>609,594.38</u>	<u>439,657.68</u>	<u>169,936.70</u>
Excess of Revenue Over (Under) Expenditures	<u>(52,795.00)</u>	<u>(251,139.38)</u>	<u>(106,865.01)</u>	<u>144,274.37</u>
Other Financing Sources (Uses):				
Transfers In	53,000.00	53,000.00	0.00	(53,000.00)
Sale of Municipal Property	0.00	0.00	26,032.00	26,032.00
Total Other Financing Sources (Uses)	<u>53,000.00</u>	<u>53,000.00</u>	<u>26,032.00</u>	<u>(26,968.00)</u>
Net Change in Fund Balances	<u>205.00</u>	<u>(198,139.38)</u>	<u>(80,833.01)</u>	<u>117,306.37</u>
Fund Balance - Beginning	<u>162,431.07</u>	<u>162,431.07</u>	<u>162,431.07</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>162,636.07</u>	<u>(35,708.31)</u>	<u>81,598.06</u>	<u>117,306.37</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	60,000.00	60,000.00	53,756.08	(6,243.92)
Total Revenue	60,000.00	60,000.00	53,756.08	(6,243.92)
Expenditures:				
Debt Service	20,000.00	20,000.00	17,244.00	2,756.00
Total Expenditures	20,000.00	20,000.00	17,244.00	2,756.00
Net Change in Fund Balances	40,000.00	40,000.00	36,512.08	(3,487.92)
Fund Balance - Beginning	261,186.23	261,186.23	261,186.23	0.00
FUND BALANCE - ENDING	<u>301,186.23</u>	<u>301,186.23</u>	<u>297,698.31</u>	<u>(3,487.92)</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	15,000.00	15,000.00	5,050.64	(9,949.36)
Total Revenue	15,000.00	15,000.00	5,050.64	(9,949.36)
Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	15,000.00	15,000.00	5,050.64	(9,949.36)
Fund Balance - Beginning	31,362.62	31,362.62	31,362.62	0.00
FUND BALANCE - ENDING	<u>46,362.62</u>	<u>46,362.62</u>	<u>36,413.26</u>	<u>(9,949.36)</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF COLTON
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	169,450.00	169,450.00	172,460.37	3,010.37
General Sales and Use Taxes	54,000.00	54,000.00	52,820.55	(1,179.45)
Amusement Taxes	150.00	150.00	120.00	(30.00)
Penalties and Interest on Delinquent Taxes	0.00	0.00	233.23	233.23
Licenses and Permits	2,690.00	2,690.00	1,970.00	(720.00)
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	10,000.00	10,000.00	8,704.09	(1,295.91)
Liquor Tax Reversion	4,000.00	4,000.00	4,575.10	575.10
Motor Vehicle Licenses	8,500.00	8,500.00	7,642.24	(857.76)
Local Government Highway and Bridge Fund	26,000.00	26,000.00	24,283.20	(1,716.80)
Other	900.00	900.00	917.90	17.90
County Shared Revenue:				
County Wheel Tax	2,000.00	2,000.00	1,708.47	(291.53)
Charges for Goods and Services:				
Sanitation	3,500.00	3,500.00	3,420.00	(80.00)
Culture and Recreation	5,800.00	5,800.00	5,166.04	(633.96)
Fines and Forfeits:				
Other	300.00	300.00	90.00	(210.00)
Miscellaneous Revenue:				
Investment Earnings	250.00	250.00	86.14	(163.86)
Rentals	10,000.00	10,000.00	6,362.60	(3,637.40)
Liquor Operating Agreement Income	29,100.00	29,100.00	25,284.86	(3,815.14)
Other	4,950.00	4,950.00	5,470.19	520.19
Total Revenue	331,590.00	331,590.00	321,314.98	(10,275.02)
Expenditures:				
General Government:				
Legislative	28,950.00	28,950.00	23,347.70	5,602.30
Contingency	5,000.00	5,000.00		
Amount Transferred		(4,165.93)		834.07
Elections	840.00	840.00	121.14	718.86
Financial Administration	37,020.00	39,408.10	39,289.03	119.07
Other	20,585.00	20,585.00	9,079.09	11,505.91
Total General Government	92,395.00	90,617.17	71,836.96	18,780.21

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF COLTON
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	26,500.00	26,500.00	24,414.00	2,086.00
Fire	31,700.00	31,700.00	21,757.98	9,942.02
Other Protection	800.00	800.00	713.42	86.58
Total Public Safety	59,000.00	59,000.00	46,885.40	12,114.60
Public Works:				
Highways and Streets	83,575.00	97,970.71	72,984.04	24,986.67
Sanitation	5,530.00	5,530.00	2,377.79	3,152.21
Total Public Works	89,105.00	103,500.71	75,361.83	28,138.88
Health and Welfare:				
Health	3,925.00	5,002.83	4,476.05	526.78
Ambulance	4,000.00	4,000.00	4,000.00	0.00
Total Health and Welfare	7,925.00	9,002.83	8,476.05	526.78
Culture and Recreation:				
Recreation	53,300.00	53,300.00	37,042.10	16,257.90
Parks	41,350.00	41,350.00	23,951.59	17,398.41
Libraries	5,000.00	5,000.00	1,843.79	3,156.21
Total Culture and Recreation	99,650.00	99,650.00	62,837.48	36,812.52
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	2,650.00	3,350.00	2,380.00	970.00
Total Conservation and Development	2,650.00	3,350.00	2,380.00	970.00
Debt Service	0.00	0.00	15,196.65	(15,196.65)
Miscellaneous				
Liquor Operating Agreements	15,865.00	15,865.00	8,076.62	7,788.38
Total Miscellaneous	15,865.00	15,865.00	8,076.62	7,788.38
Total Expenditures	366,590.00	380,985.71	291,050.99	89,934.72
Excess of Revenue Over (Under) Expenditures	(35,000.00)	(49,395.71)	30,263.99	79,659.70
Other Financing Sources (Uses):				
Transfers In	35,000.00	35,000.00	0.00	(35,000.00)
Total Other Financing Sources (Uses)	35,000.00	35,000.00	0.00	(35,000.00)
Net Change in Fund Balances	0.00	(14,395.71)	30,263.99	44,659.70
Fund Balance - Beginning	132,167.08	132,167.08	132,167.08	0.00
FUND BALANCE - ENDING	132,167.08	117,771.37	162,431.07	44,659.70

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	60,000.00	60,000.00	60,534.64	534.64
Total Revenue	60,000.00	60,000.00	60,534.64	534.64
Expenditures:				
Debt Service	5,000.00	5,000.00	17,244.00	(12,244.00)
Total Expenditures	5,000.00	5,000.00	17,244.00	(12,244.00)
Excess of Revenue Over (Under) Expenditures	55,000.00	55,000.00	43,290.64	(11,709.36)
Net Change in Fund Balances	55,000.00	55,000.00	43,290.64	(11,709.36)
Fund Balance - Beginning	217,895.59	217,895.59	217,895.59	0.00
FUND BALANCE - ENDING	<u>272,895.59</u>	<u>272,895.59</u>	<u>261,186.23</u>	<u>(11,709.36)</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF COLTON
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
THIRD PENNY SALES TAX 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 Sales and Use Taxes	8,000.00	8,000.00	12,704.09	4,704.09
Total Revenue	8,000.00	8,000.00	12,704.09	4,704.09
Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balances	8,000.00	8,000.00	12,704.09	4,704.09
Fund Balance - Beginning	18,658.53	18,658.53	18,658.53	0.00
FUND BALANCE - ENDING	26,658.53	26,658.53	31,362.62	4,704.09

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting:

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

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
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)	0.0037465%
Municipality's proportionate share of net pension liability (asset)	\$ (16)
Municipality's covered-employee payroll	\$ 68
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(23.53%)
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 06/30/2015.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 4
Contributions in relation to the contractually required contribution	<u>\$ 4</u>
Contribution deficiency (excess)	\$ -
Municipality's covered-employee payroll	\$ 70
Contributions as a percentage of covered-employee payroll	5.71%