

CITY OF GETTYSBURG
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2014

CITY OF GETTYSBURG
CITY OFFICIALS
DECEMBER 31, 2014

Mayor:

William Wuttke

Governing Board:

Fran Van Bockel
Mick Bliese
Pat Everson
Dawn Nagel
Ronald Larson
Bryan Hause

Finance Officer:

Daniall Ablott

Attorney:

Michael and Sara Larson

CITY OF GETTYSBURG

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CITY OF GETTYSBURG

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MOBRIDGE, SOUTH DAKOTA

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

City Council
City of Gettysburg
Gettysburg, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the City of Gettysburg, South Dakota, as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 #2014-01, #2014-02, and #2014-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 two 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 items #2014-04 and #2014-05.

City's Response to Findings

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

Purpose of this Report

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

Kohlman, Bierschbach & Anderson, LLP

November 6, 2015

CITY OF GETTYSBURG
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014

PRIOR AUDIT FINDINGS:

Finding #2012-01

A material weakness was reported for a lack of segregation of duties for revenues and equity, which could result in errors not being found in a timely manner. This condition is restated as current audit finding #2014-01.

Finding #2012-02

The City does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis, being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This comment is restated as current audit finding #2014-02.

Finding #2012-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment is restated as current audit finding #2014-03.

CITY OF GETTYSBURG
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2014

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2014-01

Criteria

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

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues including federal grants and equity, which could result in errors not being found in a timely manner. It is not known how long this comment has been made.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal control. The City of Gettysburg has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues and equity.

Recommendation

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

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "We feel that this is a small town and would not be feasible to hire another person besides the Finance Officer and Deputy Finance Officer for segregation of duties. The City is aware of this problem and we do try and protect the City by having the Finance Officer open all checks and then gives them to the Deputy Finance Officer to record. For expenditures, the Deputy Finance Officer opens all bills and then gives them to the Finance Officer to issue checks. The Council reviews all expenditures and does sign the documentation for each expenditure and the Council does receive a cash balance each month with quarterly updates on revenues and expenditures."

Finding #2014-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis, being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

CITY OF GETTYSBURG
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2014
(Continued)

Effect

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

Recommendation

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

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "The Council tries to be involved at every level and does oversee the financial reports."

Finding #2014-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with Other Comprehensive Basis of Accounting Modified Cash Basis.

Condition Found

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

Effect

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

Recommendation

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

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "The Council tries to be involved at every level and does oversee the financial reports."

COMPLIANCE AND OTHER MATTERS:

Finding #2014-04

CITY OF GETTYSBURG
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2014
(Continued)

Criteria

SDCL 9-21-9 limits expenditures to appropriated amounts.

Condition Found

In 2014 in the General Fund, there was a budget overdraft of \$70,000 in the intergovernmental expenditures account. In the Third Penny Sales Tax Fund, there was a budget overdraft of \$4,476 for the economic development and assistance (industrial development) account.

Effect

Budgets are required for all special revenue funds, as well as the other funds already adopted. Per SDCL 9-21-9, expenditures are limited to appropriated amounts.

Recommendation

We recommend the City limit expenditures to the amounts budgeted, and adopt a supplemental appropriation ordinance or make contingency transfers for small line item deficits.

Management's Response

William Wuttke is the contact person responsible for the corrective action plan for this comment. He stated, "We are working to correct this on our 2016 budget."

Finding #2014-05

Criteria

SDCL 5-18A-22 requires School Districts to bid certain items that they purchase, but they are exempt from "Any purchases of supplies or services, other than professional services, by purchasing agencies from any active contract that has been awarded by any government entity by competitive sealed bids or competitive sealed proposals or from any contract that was competitively solicited and awarded within the previous twelve months."

Condition Found

The City did not properly bid out the street paving contract for 2014. The City approved the contract for 2014 using the 2013 contract price from the 2012 bid. Since the bid was from more than 12 months previously, the City was not in compliance with SDCL 5-18A-22(3).

Effect

There was one item that was not properly bid before it was purchased. Therefore, the City was not in accordance with South Dakota Codified Law.

Recommendation

We recommend that the City properly bid all items that are required to be bid before they are purchased.

Management's Response

CITY OF GETTYSBURG
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2014
(Continued)

William Wuttke is the contact person for this corrective action plan for this comment. He stated, "Now that we are aware of this, we will require proper bids for all future street plans."

Closing Conference

The contents of this report were discussed with William Wuttke and Daniial Ablott on June 30, 2015.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH OFFICES IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Gettysburg
Gettysburg, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund of the City of Gettysburg, South Dakota, as of December 31, 2014, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities and each major fund of the City of Gettysburg as of December 31, 2014, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules and Schedule of Changes in Long-Term Debt as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

November 6, 2015

CITY OF GETTYSBURG
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,237,689	\$ 418,336	\$ 1,656,025
Investments	800,498	176,031	976,529
Restricted Assets:			
Cash and cash equivalents	-	22,615	22,615
TOTAL ASSETS	<u>\$ 2,038,187</u>	<u>\$ 616,982</u>	<u>\$ 2,655,169</u>
NET POSITION:			
Restricted for:			
Debt service	\$ -	\$ 8,930	\$ 8,930
Customer deposits	-	13,685	13,685
Unrestricted	<u>2,038,187</u>	<u>594,367</u>	<u>2,632,554</u>
TOTAL NET POSITION	<u>\$ 2,038,187</u>	<u>\$ 616,982</u>	<u>\$ 2,655,169</u>

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

CITY OF GETTYSBURG
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
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	\$ 111,718	\$ 24,042	\$ -	\$ -	\$ (87,676)		\$ (87,676)
Public safety	162,298	16	-	15,800	(146,482)		(146,482)
Public works	1,236,382	87,727	84,413	151,172	(913,070)		(913,070)
Health and welfare	214,713	63,268	-	50,585	(100,860)		(100,860)
Culture and recreation	113,482	11,649	-	16,622	(85,211)		(85,211)
Conservation and development	58,976	-	-	-	(58,976)		(58,976)
Intergovernmental expenditures	70,000	-	-	-	(70,000)		(70,000)
Miscellaneous expenditures	11	-	-	-	(11)		(11)
*Interest on long-term debt	2,685	-	-	-	(2,685)		(2,685)
Total Governmental Activities	1,970,265	186,702	84,413	234,179	(1,464,971)		(1,464,971)
Business-Type Activities:							
Water	238,794	303,951	-	-		\$ 65,157	65,157
Sewer	80,216	130,121	-	-		49,905	49,905
Total Business-Type Activities	319,010	434,072	-	-		115,062	115,062
Total Primary Government	\$ 2,289,275	\$ 620,774	\$ 84,413	\$ 234,179	(1,464,971)	115,062	(1,349,909)
General Revenues:							
* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
Taxes:							
					553,475	-	553,475
					594,399	-	594,399
					18,126	-	18,126
					675	-	675
					5,625	60	5,685
					13,832	-	13,832
Total General Revenues					1,186,132	60	1,186,192
Change in Net Position					(278,839)	115,122	(163,717)
Net Position - Beginning					2,317,026	501,860	2,818,886
Net Position - Ending					\$ 2,038,187	\$ 616,982	\$ 2,655,169

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

CITY OF GETTYSBURG
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013

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	\$ 124,645	\$ 23,521	\$ -	\$ -	\$ (101,124)		\$ (101,124)
Public safety	210,531	-	-	-	(210,531)		(210,531)
Public works	806,946	86,235	72,990	35,089	(612,632)		(612,632)
Health and welfare	39,219	56,891	9,544	-	27,216		27,216
Culture and recreation	139,782	12,385	-	5,250	(122,147)		(122,147)
Conservation and development	57,815	-	-	-	(57,815)		(57,815)
Miscellaneous expenditures	29	-	-	-	(29)		(29)
*Interest on long-term debt	3,317	-	-	-	(3,317)		(3,317)
Total Governmental Activities	1,382,284	179,032	82,534	40,339	(1,080,379)		(1,080,379)
Business-Type Activities:							
Water	265,531	329,464	-	-		\$ 63,933	63,933
Sewer	72,971	131,832	-	-		58,861	58,861
Total Business-Type Activities	338,502	461,296	-	-		122,794	122,794
Total Primary Government	\$ 1,720,786	\$ 640,328	\$ 82,534	\$ 40,339	(1,080,379)	122,794	(957,585)
General Revenues:							
Taxes:							
					514,012	-	514,012
					576,622	-	576,622
					16,032	-	16,032
					719	-	719
					5,174	278	5,452
					13,144	-	13,144
Total General Revenues					1,125,703	278	1,125,981
Change in Net Position					45,324	123,072	168,396
Net Position - Beginning					2,271,702	378,788	2,650,490
Net Position - Ending					\$ 2,317,026	\$ 501,860	\$ 2,818,886

* The City 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.

CITY OF GETTYSBURG
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,238,448	\$ (759)	\$ 1,237,689
Investments	800,498	-	800,498
TOTAL ASSETS	\$ 2,038,946	\$ (759)	\$ 2,038,187
FUND BALANCES:			
Assigned	\$ 368,771	\$ -	\$ 368,771
Unassigned	1,670,175	(759)	1,669,416
TOTAL FUND BALANCES	\$ 2,038,946	\$ (759)	\$ 2,038,187

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

CITY OF GETTYSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2014

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 552,198	\$ -	\$ 552,198
General sales and use taxes	562,901	31,498	594,399
Amusement taxes	180	-	180
Penalties and interest on delinquent taxes	1,097	-	1,097
Licenses and Permits	7,083	-	7,083
Intergovernmental Revenue:			
Federal grants	159,924	-	159,924
State grants	7,870	-	7,870
State shared revenue:			
Bank franchise tax	8,779	-	8,779
Liquor tax reversion	9,347	-	9,347
Motor vehicle licenses (5%)	23,890	-	23,890
Local government highway and bridge fund	58,107	-	58,107
County shared revenue:			
County road tax (25%)	2,416	-	2,416
Charges for Goods and Services:			
Highways and streets	400	-	400
Sanitation	87,327	-	87,327
Health	328	-	328
Culture and recreation	11,649	-	11,649
Ambulance	62,940	-	62,940
Fines and Forfeits:			
Court fines and costs	16	-	16
Miscellaneous Revenue:			
Investment earnings	5,625	-	5,625
Rentals	16,959	-	16,959
Contributions and donations from private sources	67,060	-	67,060
Other	13,832	-	13,832
TOTAL REVENUE	1,659,928	31,498	1,691,426
EXPENDITURES:			
General Government:			
Executive	22,187	-	22,187
Elections	923	-	923
Financial administration	88,608	-	88,608
Public Safety:			
Police	123,163	-	123,163
Fire	16,698	-	16,698
Public Works:			

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
Highways and streets	971,922	-	971,922
Sanitation	79,913	-	79,913
Airport	184,547	-	184,547
Health and Welfare:			
Health	1,290	-	1,290
Ambulance	213,423	-	213,423
Culture and Recreation:			
Recreation	59,588	-	59,588
Parks	46,434	-	46,434
Auditorium	7,460	-	7,460
Conservation and Development:			
Economic development and assistance (industrial development)	22,500	36,476	58,976
Debt Service	25,122	-	25,122
Intergovernmental Expenditures	70,000	-	70,000
Miscellaneous:			
Other expenditures	11	-	11
TOTAL EXPENDITURES	<u>1,933,789</u>	<u>36,476</u>	<u>1,970,265</u>
NET CHANGE IN FUND BALANCE	(273,861)	(4,978)	(278,839)
FUND BALANCE - BEGINNING	<u>2,312,807</u>	<u>4,219</u>	<u>2,317,026</u>
FUND BALANCE - ENDING	<u>\$ 2,038,946</u>	<u>\$ (759)</u>	<u>\$ 2,038,187</u>

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

CITY OF GETTYSBURG
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2013

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 512,795	\$ -	\$ 512,795
General sales and use taxes	546,413	30,209	576,622
Amusement taxes	216	-	216
Penalties and interest on delinquent taxes	1,001	-	1,001
Licenses and Permits	6,943	-	6,943
Intergovernmental Revenue:			
Federal grants	33,325	-	33,325
State grants	1,764	-	1,764
State shared revenue:			
Bank franchise tax	7,329	-	7,329
Liquor tax reversion	8,703	-	8,703
Motor vehicle licenses (5%)	19,485	-	19,485
Local government highway and bridge fund	51,089	-	51,089
County shared revenue:			
County road tax (25%)	2,416	-	2,416
Charges for Goods and Services:			
Highways and streets	230	-	230
Sanitation	86,005	-	86,005
Health	354	-	354
Culture and recreation	12,385	-	12,385
Ambulance	56,537	-	56,537
Miscellaneous Revenue:			
Investment earnings	5,174	-	5,174
Rentals	16,578	-	16,578
Contributions and donations from private sources	15,513	-	15,513
Other	11,738	-	11,738
TOTAL REVENUE	1,395,993	30,209	1,426,202
EXPENDITURES:			
General Government:			
Executive	21,260	-	21,260
Financial administration	103,385	-	103,385
Public Safety:			
Police	174,071	-	174,071
Fire	14,655	-	14,655
Public Works:			
Highways and streets	704,435	-	704,435
Sanitation	79,114	-	79,114
Airport	23,397	-	23,397

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
Health and Welfare:			
Health	1,378	-	1,378
Ambulance	37,841	-	37,841
Culture and Recreation:			
Recreation	63,725	-	63,725
Parks	68,795	-	68,795
Auditorium	7,262	-	7,262
Conservation and Development:			
Economic development and assistance (industrial development)	28,000	29,815	57,815
Debt Service	25,122	-	25,122
Miscellaneous:			
Other expenditures	29	-	29
TOTAL EXPENDITURES	<u>1,352,469</u>	<u>29,815</u>	<u>1,382,284</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>43,524</u>	<u>394</u>	<u>43,918</u>
OTHER FINANCING SOURCES:			
Sale of municipal property	<u>1,406</u>	-	<u>1,406</u>
TOTAL OTHER FINANCING SOURCES	<u>1,406</u>	-	<u>1,406</u>
NET CHANGE IN FUND BALANCE	44,930	394	45,324
FUND BALANCE - BEGINNING	<u>2,267,877</u>	<u>3,825</u>	<u>2,271,702</u>
FUND BALANCE - ENDING	<u>\$ 2,312,807</u>	<u>\$ 4,219</u>	<u>\$ 2,317,026</u>

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

CITY OF GETTYSBURG
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 193,769	\$ 224,567	\$ 418,336
Investments	176,031	-	176,031
Total Current Assets	<u>369,800</u>	<u>224,567</u>	<u>594,367</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	13,685	8,930	22,615
Total Noncurrent Assets	<u>13,685</u>	<u>8,930</u>	<u>22,615</u>
TOTAL ASSETS	<u><u>\$ 383,485</u></u>	<u><u>\$ 233,497</u></u>	<u><u>\$ 616,982</u></u>
NET POSITION:			
Restricted for:			
Revenue bond debt service	\$ -	\$ 8,930	\$ 8,930
Customer deposits	13,685	-	13,685
Unrestricted	<u>369,800</u>	<u>224,567</u>	<u>594,367</u>
TOTAL NET POSITION	<u><u>\$ 383,485</u></u>	<u><u>\$ 233,497</u></u>	<u><u>\$ 616,982</u></u>

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

CITY OF GETTYSBURG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 303,951	\$ 130,121	\$ 434,072
TOTAL OPERATING REVENUE	<u>303,951</u>	<u>130,121</u>	<u>434,072</u>
OPERATING EXPENSES:			
Personal services	41,899	22,268	64,167
Other current expense	28,447	22,228	50,675
Materials (cost of goods sold)	160,562	-	160,562
Capital assets	7,886	-	7,886
TOTAL OPERATING EXPENSES	<u>238,794</u>	<u>44,496</u>	<u>283,290</u>
OPERATING INCOME	<u>65,157</u>	<u>85,625</u>	<u>150,782</u>
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	60	-	60
Debt service (principal)	-	(21,411)	(21,411)
Interest expense	-	(14,309)	(14,309)
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>60</u>	<u>(35,720)</u>	<u>(35,660)</u>
CHANGE IN NET POSITION	65,217	49,905	115,122
NET POSITION - BEGINNING	<u>318,268</u>	<u>183,592</u>	<u>501,860</u>
NET POSITION - ENDING	<u>\$ 383,485</u>	<u>\$ 233,497</u>	<u>\$ 616,982</u>

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

CITY OF GETTYSBURG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 329,464	\$ 131,832	\$ 461,296
TOTAL OPERATING REVENUE	<u>329,464</u>	<u>131,832</u>	<u>461,296</u>
OPERATING EXPENSES:			
Personal services	50,770	23,069	73,839
Other current expense	20,994	9,205	30,199
Materials (cost of goods sold)	158,380	-	158,380
Capital assets	<u>35,387</u>	<u>4,976</u>	<u>40,363</u>
TOTAL OPERATING EXPENSES	<u>265,531</u>	<u>37,250</u>	<u>302,781</u>
OPERATING INCOME	<u>63,933</u>	<u>94,582</u>	<u>158,515</u>
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	278	-	278
Debt service (principal)	-	(20,781)	(20,781)
Interest expense	<u>-</u>	<u>(14,940)</u>	<u>(14,940)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>278</u>	<u>(35,721)</u>	<u>(35,443)</u>
CHANGE IN NET POSITION	64,211	58,861	123,072
NET POSITION - BEGINNING	<u>254,057</u>	<u>124,731</u>	<u>378,788</u>
NET POSITION - ENDING	<u>\$ 318,268</u>	<u>\$ 183,592</u>	<u>\$ 501,860</u>

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

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - (Continued)

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 City financial reporting entity are described below:

Governmental Funds:

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

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

Liquor, Lodging and Dining Gross Receipts Tax Fund - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is 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).

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - (Continued)

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

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

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

Basis of Accounting:

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

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

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - (Continued)

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

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

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

d. Deposits and Investments:

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

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

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

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

f. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenue and expense transactions for which related cash flows are reported as capital and related financing activities,

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - (Continued)

noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. **Restricted Net Position** - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. **Unrestricted Net Position** - All other net position that do not meet the definition of Restricted Net Position.

Fund Financial Statements:

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

h. Application of Net Position:

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

i. Fund Balance Classification Policies and Procedures:

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

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

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - (Continued)

5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Liquor, Lodging and Dining Gross Receipt Tax Fund	Sales Tax

A schedule of fund balances is provided as follows:

City of Gettysburg
 Disclosure of Fund Balances Reported on Balance Sheet
 Governmental Funds
 December 31, 2014

	General Fund	Gross Receipt Tax Fund	Total Governmental Funds
Fund Balances:			
Assigned to:			
Applied to Next Year's Budget	\$ 125,000	\$ --	\$ 125,000
Capital Outlay Accumulations	243,643	--	243,643
Unemployment	128	--	128
Unassigned	<u>1,670,175</u>	<u>(759)</u>	<u>1,669,416</u>
Total Fund Balances	<u>\$2,038,946</u>	<u>\$(759)</u>	<u>\$2,038,187</u>

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

The City 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 <u>12/31/2014</u>
General Fund:	
<u>Activity</u>	
Intergovernmental Expenditures	\$70,000

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - (Continued)

Gross Receipt Tax Fund:

Activity

Conservation and Development: Economic development
and assistance (industrial development) \$ 4,476

The City plans to take the following actions to address these violations: The Finance Officer only had two months on the job and was not aware of this. The situation has been rectified moving forward.

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

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

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

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

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

As of December 31, 2014, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Repurchase Agreement with Bank of the West U.S. Treasury Note	Aaa	\$608,000	\$608,000
External Investment Pools: SDFIT	Unrated	<u>227,501</u>	<u>227,501</u>
Total Investments		<u>\$835,501</u>	<u>\$835,501</u>

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 - (Continued)

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in U.S. Treasury Note (62%), SDFIT (23%), and certificates of deposit (15%).

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

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

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

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

<u>Amount :</u>	<u>Purpose:</u>
\$ 8,930	For debt service by covenants in the Sewer Fund
\$13,685	For customer deposits in the Water Fund

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - OPERATING LEASES

The City has an operating lease for a wheel loader with an annual payment of \$34,920 which is paid out of the General Fund. This lease is renewed on a year-to-year basis. The lease originated February 2011 and was renewed again in February 2012, 2013, and 2014. The City then purchased the wheel loader in 2015.

The City has an operating lease for a backhoe loader with an annual payment of \$15,479 which is paid out of the General Fund. The lease is for three years with an option to purchase at the end of the third year for \$52,500, but the City has the option to terminate the lease every year. The lease originated April 2012.

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 - (Continued)

The following are the minimum payments on existing operating leases:

<u>Year</u>	<u>General Fund</u>
2015	<u>\$52,500</u>
Total	<u>\$52,500</u>

NOTE 7 - RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2014, was as follows:

Major Purposes

Water Fund Purposes	\$13,685
Sewer Fund Purposes	<u>8,930</u>
Total Restricted Net Position	<u>\$22,615</u>

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

NOTE 8 - RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012, were \$16,013, \$15,888, and \$15,997, respectively, equal to the required contributions each year.

NOTE 9 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2014, the City was not involved in any litigation.

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 6, 2015, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2014, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2014, the City has vested balance in the cumulative reserve fund of \$25,529. This amount does not appear in the financial statements because this is a modified cash basis entity.

CITY OF GETTYSBURG
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 - (Continued)

The City carries a \$0 deductible for the legal liability, automobile liability, property coverage, and boiler and machinery coverage. The City carries a \$5,000 deductible for employment related government officials liability and \$500 deductible for all other government officials liability.

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

The City purchases liability insurance for airport liability from a commercial insurance carrier.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

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

The City has assigned fund balance in the General Fund in the amount of \$128 for the payment of future unemployment benefits.

During the year ended December 31, 2013, no claims for unemployment benefits were paid. During the year ended December 31, 2014, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$1,008. At December 31, 2014, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF GETTYSBURG
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes:				
General property taxes	\$ 552,950	\$ 552,950	\$ 552,198	\$ (752)
General sales and use taxes	475,000	475,000	562,901	87,901
Amusement taxes	400	400	180	(220)
Tax deed revenue	2,000	2,000	-	(2,000)
Penalties and interest on delinquent taxes	500	500	1,097	597
Licenses and Permits	8,500	8,500	7,083	(1,417)
Intergovernmental Revenue:				
Federal grants	-	180,597	159,924	(20,673)
State grants	-	10,033	7,870	(2,163)
State shared revenue:				
Bank franchise tax	7,500	7,500	8,779	1,279
Liquor tax reversion	9,000	9,000	9,347	347
Motor vehicle licenses (5%)	21,000	21,000	23,890	2,890
Local government highway and bridge fund	50,000	50,000	58,107	8,107
County shared revenue:				
County road tax (25%)	2,500	2,500	2,416	(84)
Charges for Goods and Services:				
Highways and streets	200	200	400	200
Sanitation	84,500	84,500	87,327	2,827
Health	400	400	328	(72)
Culture and recreation	9,500	9,500	11,649	2,149
Ambulance	52,000	52,000	62,940	10,940
Fines and Forfeits:				
Court fines and costs	100	100	16	(84)
Miscellaneous Revenue:				
Investment earnings	5,000	5,000	5,625	625
Rentals	16,401	16,401	16,959	558
Contributions and donations from private sources	2,000	52,000	67,060	15,060
Other	<u>25,925</u>	<u>25,925</u>	<u>13,832</u>	<u>(12,093)</u>
TOTAL REVENUE	<u>1,325,376</u>	<u>1,566,006</u>	<u>1,659,928</u>	<u>93,922</u>
EXPENDITURES:				
General Government:				
Contingency	30,000	30,000		
Amount transferred		-		30,000
Executive	27,600	27,600	22,187	5,413
Elections	2,000	2,000	923	1,077
Financial administration	105,000	105,000	88,608	16,392

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Police	149,350	149,350	123,163	26,187
Fire	17,550	17,550	16,698	852
Public Works:				
Highways and streets	642,950	1,142,950	971,922	171,028
Sanitation	86,700	86,700	79,913	6,787
Airport	28,975	229,639	184,547	45,092
Health and Welfare:				
Health	3,000	3,000	1,290	1,710
Ambulance	106,250	281,250	213,423	67,827
Culture and Recreation:				
Recreation	75,925	145,925	59,588	86,337
Parks	79,150	79,150	46,434	32,716
Auditorium	10,450	10,450	7,460	2,990
Conservation and Development:				
Economic development and assistance (industrial development)	30,000	30,000	22,500	7,500
Debt Service	26,000	26,000	25,122	878
Intergovernmental Expenditures	-	-	70,000	(70,000)
Miscellaneous:				
Other expenditures	100	100	11	89
TOTAL EXPENDITURES	<u>1,421,000</u>	<u>2,366,664</u>	<u>1,933,789</u>	<u>432,875</u>
NET CHANGE IN FUND BALANCES	(95,624)	(800,658)	(273,861)	526,797
FUND BALANCE - BEGINNING	<u>2,312,807</u>	<u>2,312,807</u>	<u>2,312,807</u>	-
FUND BALANCE - ENDING	<u>\$2,217,183</u>	<u>\$1,512,149</u>	<u>\$2,038,946</u>	<u>\$ 526,797</u>

CITY OF GETTYSBURG
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GROSS RECEIPT TAX FUND
YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General sales and use taxes	\$ 32,000	\$ 32,000	\$ 31,498	\$ (502)
TOTAL REVENUE	<u>32,000</u>	<u>32,000</u>	<u>31,498</u>	<u>(502)</u>
EXPENDITURES:				
Conservation and Development:				
Economic development and assistance (industrial development)	<u>32,000</u>	<u>32,000</u>	<u>36,476</u>	<u>(4,476)</u>
TOTAL EXPENDITURES	<u>32,000</u>	<u>32,000</u>	<u>36,476</u>	<u>(4,476)</u>
NET CHANGE IN FUND BALANCES	-	-	(4,978)	(4,978)
FUND BALANCE - BEGINNING	<u>4,219</u>	<u>4,219</u>	<u>4,219</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,219</u>	<u>\$ 4,219</u>	<u>\$ (759)</u>	<u>\$ (4,978)</u>

CITY OF GETTYSBURG
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Taxes:				
General property taxes	\$ 521,844	\$ 521,844	\$ 512,795	\$ (9,049)
General sales and use taxes	450,000	450,000	546,413	96,413
Amusement taxes	400	400	216	(184)
Tax deed revenue	2,000	2,000	-	(2,000)
Penalties and interest on delinquent taxes	500	500	1,001	501
Licenses and Permits	9,000	9,000	6,943	(2,057)
Intergovernmental Revenue:				
Federal grants	25,000	25,000	33,325	8,325
State grants	-	-	1,764	1,764
State shared revenue:				
Bank franchise tax	6,000	6,000	7,329	1,329
Liquor tax reversion	8,000	8,000	8,703	703
Motor vehicle licenses (5%)	14,000	14,000	19,485	5,485
Local government highway and bridge fund	42,000	42,000	51,089	9,089
County shared revenue:				
County road tax (25%)	2,400	2,400	2,416	16
Charges for Goods and Services:				
Highways and streets	100	100	230	130
Sanitation	85,100	85,100	86,005	905
Health	400	400	354	(46)
Culture and recreation	9,000	9,000	12,385	3,385
Ambulance	52,000	52,000	56,537	4,537
Fines and Forfeits:				
Court fines and costs	100	100	-	(100)
Miscellaneous Revenue:				
Investment earnings	6,000	6,000	5,174	(826)
Rentals	15,601	15,601	16,578	977
Contributions and donations from private sources	1,000	1,000	15,513	14,513
Other	24,300	24,300	11,738	(12,562)
TOTAL REVENUE	<u>1,274,745</u>	<u>1,274,745</u>	<u>1,395,993</u>	<u>121,248</u>
EXPENDITURES:				
General Government:				
Contingency	25,000	25,000		
Amount transferred		-		25,000
Executive	27,100	27,100	21,260	5,840
Elections	500	500	-	500
Financial administration	119,925	119,925	103,385	16,540

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Police	151,500	196,500	174,071	22,429
Fire	18,500	18,500	14,655	3,845
Public Works:				
Highways and streets	606,300	856,300	704,435	151,865
Sanitation	85,000	85,000	79,114	5,886
Airport	34,475	40,975	23,397	17,578
Health and Welfare:				
Health	5,000	5,000	1,378	3,622
Ambulance	80,750	84,494	37,841	46,653
Culture and Recreation:				
Recreation	61,600	71,600	63,725	7,875
Parks	92,950	92,950	68,795	24,155
Auditorium	9,500	9,500	7,262	2,238
Conservation and Development:				
Economic development and assistance (industrial development)	28,000	28,000	28,000	-
Debt Service	26,000	26,000	25,122	878
Miscellaneous:				
Other expenditures	250	250	29	221
TOTAL EXPENDITURES	<u>1,372,350</u>	<u>1,687,594</u>	<u>1,352,469</u>	<u>335,125</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(97,605)</u>	<u>(412,849)</u>	<u>43,524</u>	<u>456,373</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	<u>-</u>	<u>-</u>	<u>1,406</u>	<u>1,406</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>1,406</u>	<u>1,406</u>
NET CHANGE IN FUND BALANCES	(97,605)	(412,849)	44,930	457,779
FUND BALANCE - BEGINNING	<u>2,267,877</u>	<u>2,267,877</u>	<u>2,267,877</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$2,170,272</u>	<u>\$1,855,028</u>	<u>\$2,312,807</u>	<u>\$ 457,779</u>

CITY OF GETTYSBURG
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GROSS RECEIPT TAX FUND
YEAR ENDED DECEMBER 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General sales and use taxes	\$ 32,000	\$ 32,000	\$ 30,209	\$ (1,791)
TOTAL REVENUE	<u>32,000</u>	<u>32,000</u>	<u>30,209</u>	<u>(1,791)</u>
EXPENDITURES:				
Conservation and Development:				
Economic development and assistance (industrial development)	<u>32,000</u>	<u>32,000</u>	<u>29,815</u>	<u>2,185</u>
TOTAL EXPENDITURES	<u>32,000</u>	<u>32,000</u>	<u>29,815</u>	<u>2,185</u>
NET CHANGE IN FUND BALANCES	-	-	394	394
FUND BALANCE - BEGINNING	<u>3,825</u>	<u>3,825</u>	<u>3,825</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,825</u>	<u>\$ 3,825</u>	<u>\$ 4,219</u>	<u>\$ 394</u>

CITY OF GETTYSBURG
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET.
DECEMBER 31, 2014

Note 1 - Budgets and Budgetary Accounting

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

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

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 and special revenue funds.

The City did not encumber any amounts at either December 31, 2013, or December 31, 2014.

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

Note 2 - Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

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

CITY OF GETTYSBURG
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2014

Indebtedness	Long-Term Debt 01/01/2013	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/2014
GOVERNMENTAL LONG-TERM DEBT:				
Other long-term liabilities	\$ 83,350	\$ -	\$ (44,242)	\$ 39,108
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	<u>505,728</u>	<u>-</u>	<u>(42,192)</u>	<u>463,536</u>
TOTAL	<u>\$ 589,078</u>	<u>\$ -</u>	<u>\$ (86,434)</u>	<u>\$ 502,644</u>