

**MUNICIPALITY OF GREGORY  
GREGORY, SOUTH DAKOTA**

**AUDIT REPORT**

**FOR THE YEAR JANUARY 1, 2013 TO DECEMBER 31, 2013  
AND  
FOR THE YEAR JANUARY 1, 2014 TO DECEMBER 31, 2014**

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF GREGORY

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2014

MAYOR:

Maurice Schlaht

GOVERNING BOARD:

Tim Mills – President  
Shana Flakus – Vice-President  
Blane Bartling  
Stacey Boes  
Chad Peck  
Seymour Studenberg

FINANCE OFFICER:

Allen Cerny

ATTORNEY:

George Johnson

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TABLE OF CONTENTS

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* ..... 1-2

Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control Over Compliance in Accordance  
with *OMB Circular A-133* ..... 3-4

Schedule of Prior Audit Findings and Questioned Costs ..... 5

Schedule of Current Audit Findings and Questioned Costs ..... 6-7

Independent Auditor's Report ..... 8-10

Management's Discussion and Analysis (MD&A) ..... 11-22

**BASIC FINANCIAL STATEMENTS:**

As Of and For the Year Ended December 31, 2014:

Government-Wide Financial Statements:

Statement of Net Position ..... 23

Statement of Activities ..... 24

Fund Financial Statements:

Governmental Funds:

Balance Sheet ..... 25

Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position ..... 26

Statement of Revenues, Expenditures, and Changes  
In Fund Balances ..... 27-29

Reconciliation of the Statement of Revenues, Expenditures,  
And Changes in Fund Balances to the Government-Wide  
Statement of Activities ..... 30

Proprietary Funds:

Statement of Net Position ..... 31

Statement of Revenues, Expenses, and Changes  
in Fund Net Position ..... 32

Statement of Cash Flows ..... 33

Fiduciary Funds:

Statement of Net Position ..... 34

As Of and For the Year Ended December 31, 2013:

Government-Wide Financial Statements:

Statement of Net Position ..... 35

Statement of Activities ..... 36

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P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TABLE OF CONTENTS  
(Continued)

Fund Financial Statements:

    Governmental Funds:

        Balance Sheet..... 37

        Reconciliation of the Governmental Funds  
        Balance Sheet to the Statement of Net Position..... 38

        Statement of Revenues, Expenditures, and Changes  
        In Fund Balances..... 39-41

        Reconciliation of the Statement of Revenues, Expenditures,  
        And Changes in Fund Balances to the Government-Wide  
        Statement of Activities ..... 42

    Proprietary Funds:

        Statement of Net Position..... 43

        Statement of Revenues, Expenses, and Changes  
        in Fund Net Position..... 44

        Statement of Cash Flows..... 45

    Fiduciary Funds:

        Statement of Net Position..... 46

Notes to the Financial Statements..... 47-67

Required Supplementary Information Other than MD&A:

    For the Year Ended December 31, 2014:

        Budgetary Comparison Schedules – Budgetary Basis:

            General Fund..... 68-69

    For the Year Ended December 31, 2013:

        Budgetary Comparison Schedules – Budgetary Basis:

            General Fund..... 70-71

    Notes to the Required Supplementary  
    Information – Budgetary Comparison Schedules..... 72

Supplementary Schedules:

    Combining Financial Statements:

        As of and For the Year Ended December 31, 2014:

            Combining Balance Sheet – Non-major Governmental Funds..... 73

            Combining Statement of Revenues, Expenditures and  
            Changes in Fund Balances – Non-major Governmental Funds..... 74

        As of and For the Year Ended December 31, 2013:

            Combining Balance Sheet – Non-major Governmental Funds..... 75

            Combining Statement of Revenues, Expenditures and  
            Changes in Fund Balances – Non-major Governmental Funds..... 76

    Schedule of Expenditures of Federal Awards..... 77

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

**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 Gregory  
Gregory, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory, South Dakota (Municipality), 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 Municipality's basic financial statements and have issued our report thereon dated September 3, 2015, which had a disclaimer of opinion on the aggregate discretely presented component units because they were unaudited.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2014-001 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

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

#### Municipality's Response to Findings

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

#### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
September 3, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

**Report on Compliance for Each Major Federal Program**

We have audited the Municipality of Gregory, South Dakota (Municipality) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the biennial period ended December 31, 2014. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Municipality's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Municipality's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the Municipality of Gregory complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2014.

## Report on Internal Control Over Compliance

Management of the Municipality is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Municipality's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control over compliance.

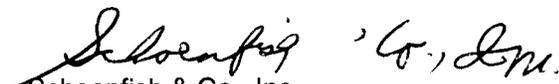
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2014-001 to be a material weakness.

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

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

  
Schoenfish & Co., Inc.  
Certified Public Accountants  
September 3, 2015

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Finding Number 2012-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2014-001.

PRIOR OTHER AUDIT FINDINGS:

There were no prior other audit findings to report except for the lack of segregation of duties as stated in finding 2012-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTSSummary of the Independent Auditor's Results:Financial Statements:

- a. An unqualified opinion was issued on the financial statements of each opinion unit except for a disclaimer of opinion issued on the financial statements of the aggregate discretely presented component units opinion units because we did not audit those financial statements.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2014-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2014-001.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See finding number 2012-001.
- g. The federal awards tested as major programs were:
  1. Airport Improvement Program CFDA No. 20.106
  2. Capitalization Grants for Clean Water State Revolving Funds CFDA No. 66.458
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. The Municipality of Gregory did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:Internal Control – Related Finding – Material Weakness:Finding Number 2014-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenues. This affects the reporting compliance requirement for the Airport Improvement Program, CFDA No. 20.106; and the Capitalization Grants for Clean Water State Revolving Funds, CFDA No. 66.458. This is the ninth consecutive audit in which a similar weakness has occurred.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
(Continued)

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

1. We recommend that the Municipality of Gregory 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.

Corrective Action Plan:

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

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to report except for the lack of segregation of duties as stated in finding 2014-001.

CLOSING CONFERENCE

The audit findings were discussed with the officials during the course of the audit, with one council person, the Finance Officer, and Assistant Finance Officer on September 11, 2015.

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Gregory  
Gregory, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory, South Dakota, (Municipality) 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 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 Disclaimer of Opinion*

We were not engaged to audit and we were unable to obtain audited financial statements supporting the financial balances and activities of the Gregory Housing and Redevelopment Commission and Gregory Ambulance Association, and we did not attempt to satisfy ourselves as to those amounts by other auditing procedures. Those financial activities are included on the basic financial statements referred to above as a component units of the Municipality of Gregory and represent one hundred percent of the December 31, 2014 and 2013, balances and activities for the year then ended of the component units columns.

*Disclaimer of Opinion*

Because of the effects of the item discussed in the Basis for Disclaimer of Opinion, we were not able to apply other auditing procedures to satisfy ourselves as to the component units, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the aggregate discretely presented component units.

*Unqualified Opinions*

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Gregory as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules, on pages 11 through 22, and 68 through 71 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the combining financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required

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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 September 3, 2015 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.  
Certified Public Accountants  
September 3, 2015

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**MUNICIPALITY OF GREGORY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014**

This section of Municipality of Gregory (Municipality) financial report presents our discussion and analysis of the Municipality's financial performance during the two fiscal years ended on December 31, 2014. Please read it in conjunction with the Municipality's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

2014

- During the year, the Municipality's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$150,251 less than the \$1,543,342 governmental expenses.
- Sales tax revenues continue to remain strong as evidenced by a 4% increase from \$630,443 collected in 2013 to \$658,072 collected in 2014.
- In the Municipality's business-type activities, revenue was \$581,133 which is up \$183,052 from last year; expenses were up \$104,701 from last year. The revenue increase was due to a grant received in the sewer fund.
- The total net position of the municipality business-type activities increased 19% to \$196,689 compared to \$114,536 in 2013.

2013

- The Municipality received \$630,443 in retail sales tax revenue, which includes \$598,675 for the 2% rate and \$31,768 for the 1% rate. The sales tax revenue received this year is the highest received in history.
- Total Governmental Net Position decreased by 0.6% or \$40,043 when compared to last year, while the Business-Type Net Position increased by 12.5% or \$114,536.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Municipality:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure A-1 summarizes the major features of the Municipality's financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**

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

## Government-wide Statements

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

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

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

The government-wide financial statements of the Municipality are reported in three categories:

- **Governmental Activities** -- This category includes the most of the Municipality's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The Municipality charges a fee to customers to help cover the costs of certain services it provides. The Municipality's water and sewer systems are included here.
- **Component Units** -- The Municipality includes two other entities in its report – the Housing and Redevelopment Commission and the Gregory Ambulance Association. Although legally separate, these "component units" are important because the Municipality is financially accountable for them.

## **Fund Financial Statements**

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

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

The Municipality has two kinds of funds:

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

## FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

### Net Position

The Municipality's Net Position showed a \$74,493 increase (0.1%) from 2012 to 2013 and an increase of Net Position of \$44,341 or 0.6% from 2013 to 2014. (See Table A-1).

Table A-1  
MUNICIPALITY OF GREGORY  
Statement of Net Position

	Governmental Activities			Business-Type Activities			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Current & Other Assets	577,037	1,337,737	808,537	531,844	649,928	707,219	1,108,881	1,987,665	1,515,756
Capital Assets, Net of Depr.	6,495,391	6,362,456	6,634,016	1,858,855	1,830,019	2,145,499	8,354,246	8,192,475	8,779,515
Total Assets	7,072,428	7,700,193	7,442,553	2,390,699	2,479,947	2,852,718	9,463,127	10,180,140	10,295,271
Long-Term Debt Outstanding	727,181	1,343,486	1,252,879	1,477,142	1,428,015	1,603,120	2,204,323	2,771,501	2,855,999
Other Liabilities	16,714	26,539	11,854	15,046	17,766	18,743	31,760	44,305	30,597
Total Liabilities	743,895	1,370,025	1,264,733	1,492,188	1,445,781	1,621,863	2,236,083	2,815,806	2,886,596
Net Investment in Capital Assets	5,784,979	5,039,211	5,398,030	385,873	407,923	558,922	6,170,852	5,447,134	5,956,952
Restricted	175,236	177,735	255,228	152,998	116,746	116,746	328,234	294,481	371,974
Unrestricted	368,318	1,113,222	524,562	359,640	509,497	555,187	727,958	1,622,719	1,079,749
Total Net Position	6,328,533	6,330,168	6,177,820	898,511	1,034,166	1,230,855	7,227,044	7,364,334	7,408,675
Beginning Net Position	6,300,192	6,328,533	6,330,168	426,571	898,511	1,034,166	6,726,763	7,227,044	7,364,334
Adjustment to Beginning Net Position		41,678			21,119		-	62,797	-
Adjusted Beginning Net Position	6,300,192	6,370,211	6,330,168	426,571	919,630	1,034,166	6,726,763	7,289,841	7,364,334
Change in Net Position	28,341	(40,043)	(152,348)	471,940	114,536	196,689	500,281	74,493	44,341
Percentage of Change in Net Position	0.4%	-0.6%	-2.4%	110.6%	12.5%	19.0%	7.4%	1.0%	0.6%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the Municipality, consisting of compensated absences payable, sales tax revenue bonds payable, water revenue bonds payable, sewer revenue bonds payable, special assessment bond, and Rural Development loan have been reported in this manner on the Statement of Net Position. The difference between the Municipality's assets and liabilities is its net position.

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

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

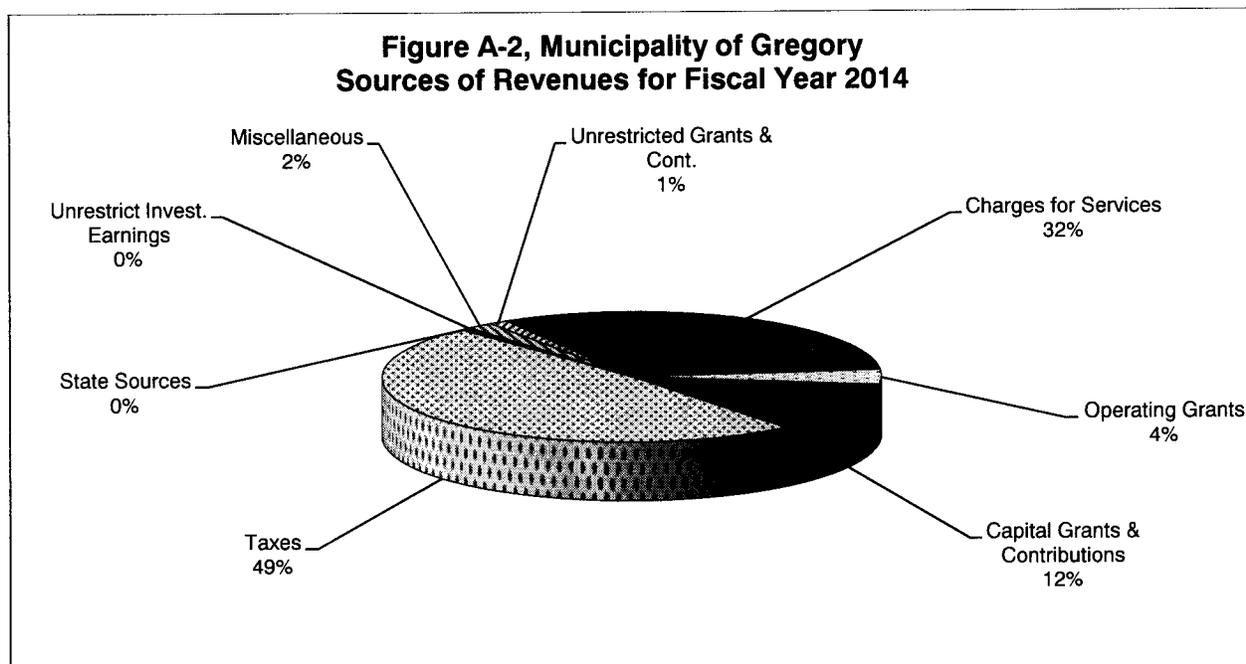
The remaining balance of net position is unrestricted and may be used to meet the Municipality's ongoing obligations to citizens and creditors.

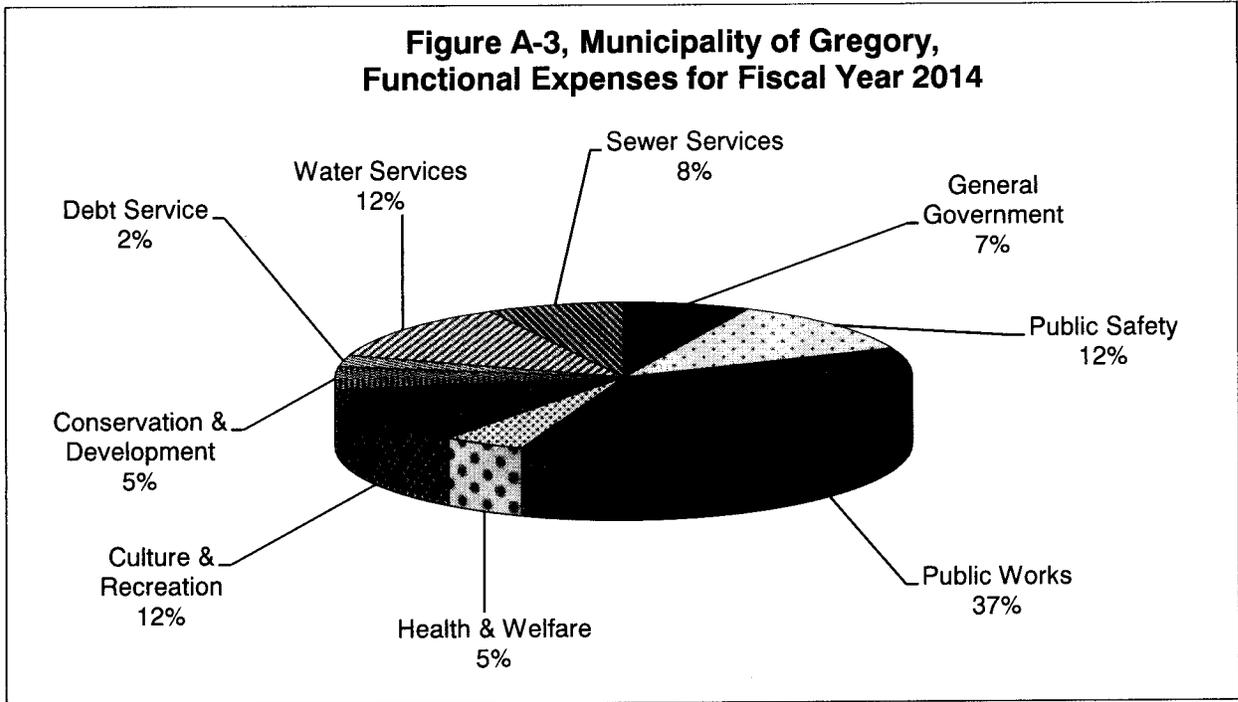
### Changes in Net Position/Net Assets

#### 2014

The Municipality's revenues totaled \$1,974,224. (See Table A-2.) Well over half of the Municipality's revenue comes from charges for services and taxes, with 32 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 49 cents of every dollar raised comes from some type of tax. (See Figure A-2). Another 12% comes from state and federal grants for capital purposes and most of the rest comes from state-shared revenues and interest earnings.

The total cost of all programs and services was virtually unchanged. The Municipality's expenses cover a range of services, with over half related to public work services (road maintenance, water system services and sewer system services). (See Figure A-3)



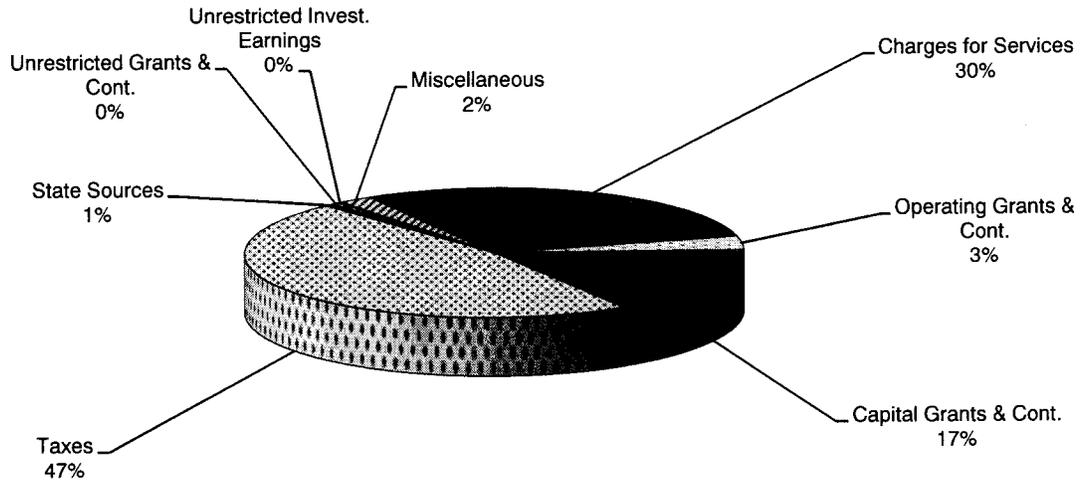


### 2013

The Municipality's revenues totaled \$1,970,934. (See Table A-2.) Well over half of the Municipality's revenue comes from charges for services and taxes, with 30 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 47 cents of every dollar raised comes from some type of tax. (See Figure A-4). Another 17% comes from state and federal grants for capital purposes and most of the rest comes from state-shared revenues and interest earnings.

The total cost of all programs and services was virtually unchanged. The Municipality's expenses cover a range of services, with over half related to public work services (road maintenance, water system services and sewer system services). (See Figure A-5)

**Figure A-4, Municipality of Gregory  
Sources of Revenues for Fiscal Year 2013**



**Figure A-5, Municipality of Gregory,  
Functional Expenses for Fiscal Year 2013**

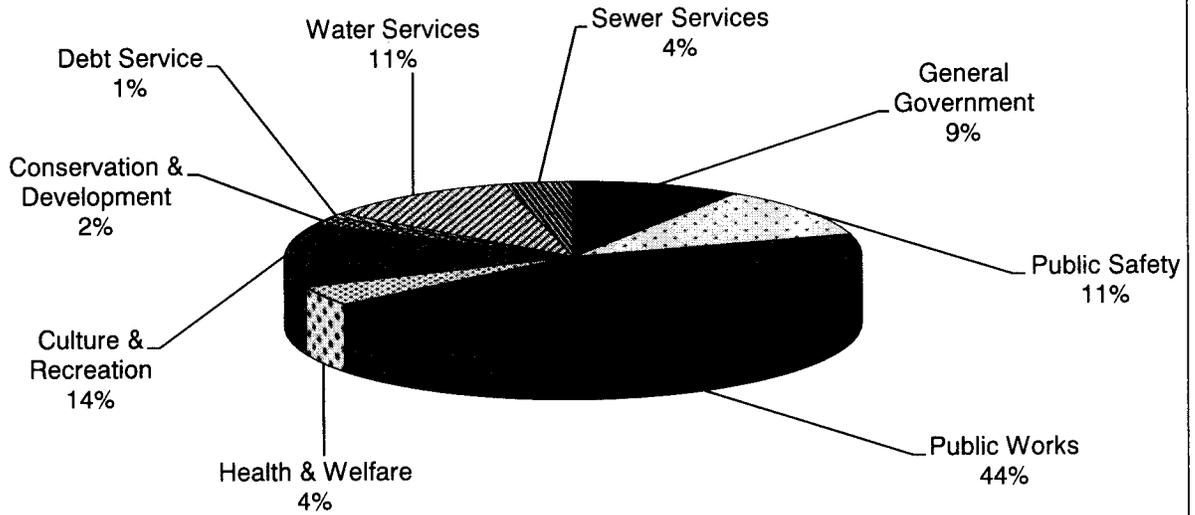


Table A-2  
MUNICIPALITY OF GREGORY  
Changes in Net Position

	Governmental Activities			Business-Type Activities			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Program Revenues:									
Charges for Services	152,983	207,678	237,076	407,959	375,701	391,596	560,942	583,379	628,672
Operating Grants & Cont.	71,423	66,066	72,146				71,423	66,066	72,146
Capital Grants & Cont.	716,065	329,688	74,366			167,500	716,065	329,688	241,866
General Revenues:									
Taxes	895,957	924,013	960,265				895,957	924,013	960,265
State Sources	11,560	11,505	12,066				11,560	11,505	12,066
Unrestricted Grants & Cont.	1,461	9,163	24,492				1,461	9,163	24,492
Unrestricted Invest. Earnings	2,798	2,930	1,566	2,691	1,925	662	5,489	4,855	2,228
Miscellaneous	81,593	21,810	11,114		20,455	21,375	81,593	42,265	32,489
Total Revenue	<u>1,933,840</u>	<u>1,572,853</u>	<u>1,393,091</u>	<u>410,650</u>	<u>398,081</u>	<u>581,133</u>	<u>2,344,490</u>	<u>1,970,934</u>	<u>1,974,224</u>
Expenses:									
General Government	138,116	180,524	137,306				138,116	180,524	137,306
Public Safety	199,752	209,246	229,543				199,752	209,246	229,543
Public Works	761,837	832,986	709,001				761,837	832,986	709,001
Health & Welfare	82,667	80,641	88,438				82,667	80,641	88,438
Culture & Recreation	215,198	259,739	236,405				215,198	259,739	236,405
Conservation & Development	32,552	34,667	95,642				32,552	34,667	95,642
Debt Service	61,866	16,798	47,007				61,866	16,798	47,007
Water Services				268,517	209,722	238,720	268,517	209,722	238,720
Sewer Services				83,704	72,118	147,821	83,704	72,118	147,821
Total Expenses	<u>1,491,988</u>	<u>1,614,601</u>	<u>1,543,342</u>	<u>352,221</u>	<u>281,840</u>	<u>386,541</u>	<u>1,844,209</u>	<u>1,896,441</u>	<u>1,929,883</u>
Change in Net Position before Transfers	<u>441,852</u>	<u>(41,748)</u>	<u>(150,251)</u>	<u>58,429</u>	<u>116,241</u>	<u>194,592</u>	<u>500,281</u>	<u>74,493</u>	<u>44,341</u>
Transfers	<u>(413,511)</u>	<u>1,705</u>	<u>(2,097)</u>	<u>413,511</u>	<u>(1,705)</u>	<u>2,097</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	<u>28,341</u>	<u>(40,043)</u>	<u>(152,348)</u>	<u>471,940</u>	<u>114,536</u>	<u>196,689</u>	<u>500,281</u>	<u>74,493</u>	<u>44,341</u>
Adjustment to Beginning Net Position	<u>0</u>	<u>41,678</u>	<u>0</u>	<u>0</u>	<u>21,119</u>	<u>0</u>	<u>0</u>	<u>62,797</u>	<u>0</u>
Net Position - Ending	<u><u>6,328,533</u></u>	<u><u>6,330,168</u></u>	<u><u>6,177,820</u></u>	<u><u>898,511</u></u>	<u><u>1,034,166</u></u>	<u><u>1,230,855</u></u>	<u><u>7,227,044</u></u>	<u><u>7,364,334</u></u>	<u><u>7,408,675</u></u>

## **Governmental Activities**

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

### 2014

Total governmental revenues for the Municipality decreased by 11 percent, while total governmental expenses decreased by four percent. The Municipality saw a four percent increase in tax revenue, primarily due to an increase in sales tax. The expenses were \$150,251 greater than revenues due to using existing funds on hand to pay for the initial engineering on the Municipality's Grandview Addition project and also to purchase land.

### 2013

Total governmental revenues for the decreased 19%, while total expenses increased by eight percent. The Municipality did not undertake a major capital improvement project that would typically bring some grant funds to the Municipality and so revenues decreased.

## **Business-type Activities**

### 2014

Revenues of the Municipality's business-type activities increased by 46% to \$581,133 and expenses increased by 37%. Factors contributing to these results included:

- Sewer main was replaced in a four block section of town. The Municipality did receive some grant funding for the project so the revenue was up but the cost of the project also drove up the expenses in the Sewer Fund.
- The net position showed an increase of 19% due to an increase in capital assets from the sewer line project.

### 2013

Revenues of the Municipality's business-type activities decreased by 3% to \$398,081 and expenses decreased 20%. Factors contributing to these results included:

- Water usage was down because the area received sufficient rain to lower the amount of lawn and garden watering.
- The expenses were down because no large capital project was undertaken which would use some of the existing funds in that particular business type account. Normal expenses remained about the same as the prior year.

## **FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS**

### 2014

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintained six governmental funds – General Fund, Economic Development Fund, Special Assessment Revolving Fund, Special Street Assessment Fund, Liquor, Lodging and Dining Sales Tax Fund, and Airport Hanger Capital Project Fund. The Municipality maintained two business-type funds – Water Fund and Sewer Fund. The General Fund decreased by \$462,774, due mainly to the purchase of the Grandview Addition. The debt was issued in 2013, while the purchase was made in 2014. The city closed the Airport Improvement Fund, the Water Improvement Fund and the 6<sup>th</sup>/Logan Street Fund during 2014. None of the other funds had any significant changes during 2013.

2013

The financial analysis of the Municipality's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintained nine governmental funds – General Fund, Economic Development Fund, Special Assessment Revolving Fund, Special Street Assessment Fund, Liquor, Lodging and Dining Sales Tax Fund, 6<sup>th</sup>/Logan Street Capital Project Fund, Water Improvement Capital Project Fund, 2010 Airport Capital Project Fund, and Airport Hanger Capital Project Fund. The Municipality maintained two business-type funds – Water Fund and Sewer Fund. The General Fund did increase by \$761,994, due to debt issued for land purchase. The purchase didn't occur until 2014. None of the other funds had any significant changes during 2013.

**General Fund Budgetary Highlights**

Over the course of the year, the Municipal Council revised the Municipal budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

	2013		2014	
	Original	Final	Original	Final
Revenues	1,063,800	1,119,800	1,095,700	1,139,000
Expenditures	1,063,800	1,199,500	1,095,700	1,964,200
Variance	<u>0</u>	<u>(79,700)</u>	<u>0</u>	<u>(825,200)</u>

**CAPITAL ASSET ADMINISTRATION**

By the end of 2014, the Municipality had invested \$8,779,514 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.)

**Table A-3**  
**City of Gregory - Capital Assets**  
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2013	2014	2012	2013	2014
Land	194,800	192,000	816,333	74,000	74,000	74,000
Construction Work in Progress	64,908	1,314,660	68,869			
Buildings	1,851,763	1,799,251	2,086,679	196,859	196,859	192,842
Improvements Other Than Buildings	4,040,245	3,737,847	3,380,602	1,496,228	1,475,920	1,804,921
Machinery and Equipment	343,675	318,698	281,532	91,768	83,240	73,736
<b>Total Capital Assets (Net)</b>	<b><u>6,495,391</u></b>	<b><u>7,362,456</u></b>	<b><u>6,634,015</u></b>	<b><u>1,858,855</u></b>	<b><u>1,830,019</u></b>	<b><u>2,145,499</u></b>

2014

Major capital asset additions included:

- The Municipality purchased 66 acres of land for future development at a cost of \$661,837
- Eight lots were donated to the city.
- Playground Equipment purchased for \$15,600
- The Airport Hangar was finished
- Four blocks of sewer main was replaced at a cost of \$366,399.

- The construction in progress at year end consisted of the Grandview Addition Improvements (engineering phase), and the Airport Apron Project.

### 2013

Major capital asset additions included:

- Playground Equipment purchased for \$33,271
- The construction in progress at year end consisted of the Airport Hangar Project.

### **LONG-TERM DEBT**

At the year-end, the Municipality had \$2,855,999 in long-term obligations. (See Table A-4.)

**Table A-4**  
**Municipality of Gregory - Outstanding Debt and Obligations**

	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Sales Tax Revenue Bond 2012	605,000	525,000	440,000			
Sales Tax Revenue Bond 2013	0	695,000	695,000			
Sewer Revenue Bond				581,045	556,698	531,169
SRF Drinking Water #1				261,720	251,659	241,344
SRF Drinking Water #2				402,183	395,076	385,412
SRF Clean Water #1				228,034	218,663	209,009
SRF Clean Water #2						229,958
Rural Development Loan	105,412	103,245	100,986	105,412		
Compensated Absences	16,769	20,241	16,893	16,769	5,919	6,228
<b>Total Outstanding Debt and Obligations</b>	<b>727,181</b>	<b>1,343,486</b>	<b>1,252,879</b>	<b>1,595,163</b>	<b>1,428,015</b>	<b>1,603,120</b>

The Municipality is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year.

In 2014, the Municipality borrowed \$229,958 in SRF Clean Water Bonds. The bonds are scheduled to be paid off in 2025.

In 2013, the Municipality borrowed \$695,000 in Sales Tax Revenue Bonds series 2013. The bonds were used to purchase 66 acres of land for industrial and residential development. The bonds are scheduled to be paid off in 2025.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Municipality's revenue sources continue to remain strong and continually surpass what is budgeted. Part of this is due to the fact that the Municipality's budgets conservatively on revenue sources but also revenue has been strong the past few years, in particular the sales tax. The two percent sales tax portion has gone from \$490,625 to \$624,876 in 2014. This is a \$134,251 per year increase or a 27% increase. This past year the sales tax revenue was up 4% over 2013. Property tax revenues are very stable, showing a small but steady increase, year in and out.

The development of Grandview Addition will continue to factor into the Municipality's long term development. The development is expected to be steady and not real fast. In the next 5 to 10 years, the Municipality should have a higher tax base and sales tax should continue to rise with the increased development of Grandview Addition. The Municipality has secured a long term (40 years) Rural Development loan to put a street, water and sewer hookups in the area. Residential and commercial lots will be ready for development. The Municipality should not have to invest much more in the Grandview Addition after the initial work is completed in 2015. This means that the Municipality should be getting back their investment after the 2015 budget year.

The sales and business climate remain good in the Gregory area. The local business and development group is working on bringing different businesses to Gregory and this will only increase our sales tax and make the property tax stronger.

### **CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional information, contact the Gregory City Finance Office, P.O. Box 436, 120 West 6<sup>th</sup> Street, Gregory, SD 57533 or call 605-835-8270.

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

	<u>Primary Government</u>			<u>Component Units (Unaudited)</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Housing &amp; Redev't Comm</u>	<u>Ambulance Association</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	403,327.47	411,020.44	814,347.91	179,514.85	127,477.83
Investments	111,728.36	239,960.26	351,688.62		
Accounts Receivable, Net	189,257.10	10,424.66	199,681.76		116,557.14
Inventories	77,604.10	45,813.13	123,417.23		
Restricted Assets:					
Deposits	26,620.08		26,620.08		
Capital Assets:					
Land and Construction Work in Progress	885,202.37	74,000.00	959,202.37		
Other Capital Assets, Net of Depreciation	5,748,813.60	2,071,499.30	7,820,312.90		
<b>TOTAL ASSETS</b>	<b>7,442,553.08</b>	<b>2,852,717.79</b>	<b>10,295,270.87</b>	<b>179,514.85</b>	<b>244,034.97</b>
<b>LIABILITIES :</b>					
Accounts Payable	11,853.65	6,533.76	18,387.41		
Other Current Liabilities		12,209.00	12,209.00		
Noncurrent Liabilities:					
Due Within One Year	100,925.26	70,809.03	171,734.29		
Due in More than One Year	1,151,954.14	1,532,310.82	2,684,264.96		
<b>TOTAL LIABILITIES</b>	<b>1,264,733.05</b>	<b>1,621,862.61</b>	<b>2,886,595.66</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	5,398,030.06	558,921.80	5,956,951.86		
Restricted for:					
Capital Projects Purposes	2,755.47		2,755.47		
Debt Service Purposes	174,700.00	116,746.20	291,446.20		
City Promotion	51,152.92		51,152.92		
Cumulative Insurance Reserve	26,620.08		26,620.08		
Unrestricted (Deficit)	524,561.50	555,187.18	1,079,748.68	179,514.85	244,034.97
<b>TOTAL NET POSITION</b>	<b>6,177,820.03</b>	<b>1,230,855.18</b>	<b>7,408,675.21</b>	<b>179,514.85</b>	<b>244,034.97</b>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units (Unaudited)	
					Governmental Activities	Business-Type Activities	Total	Housing & Redevel't Comm.	Ambulance Association
<b>Primary Government:</b>									
Governmental Activities:									
General Government	137,306.34	52,369.94			(84,936.40)		(84,936.40)		
Public Safety	229,543.16	5,491.75			(224,051.41)		(224,051.41)		
Public Works	709,001.08	86,775.42	72,145.74	54,365.99	(495,713.93)		(495,713.93)		
Health and Welfare	88,437.88	73,528.83			(14,909.05)		(14,909.05)		
Culture and Recreation	236,404.96	10,962.20			(225,442.76)		(225,442.76)		
Conservation and Development	95,641.77			20,000.00	(75,641.77)		(75,641.77)		
Miscellaneous Expenditures		7,948.05			7,948.05		7,948.05		
*Interest on Long-term Debt	47,006.67				(47,006.67)		(47,006.67)		
<b>Total Governmental Activities</b>	<b>1,543,341.86</b>	<b>237,076.19</b>	<b>72,145.74</b>	<b>74,365.99</b>	<b>(1,159,753.94)</b>		<b>(1,159,753.94)</b>		
Business-type Activities:									
Water	238,720.37	253,797.43				15,077.06	15,077.06		
Sewer	147,821.07	137,799.59		167,500.00		157,478.52	157,478.52		
<b>Total Business-type Activities</b>	<b>386,541.44</b>	<b>391,597.02</b>	<b>0.00</b>	<b>167,500.00</b>		<b>172,555.58</b>	<b>172,555.58</b>		
<b>Total Primary Government</b>	<b>1,929,883.30</b>	<b>628,673.21</b>	<b>72,145.74</b>	<b>241,865.99</b>	<b>(1,159,753.94)</b>	<b>172,555.58</b>	<b>(987,198.36)</b>		
<b>Component Units: (Unaudited)</b>									
Housing and Redevelopment Commission	76,758.72	53,000.33	34,962.00					11,203.61	
Ambulance Association	208,815.28	165,081.43							(43,733.85)
<b>General Revenues:</b>									
Taxes:									
Property Taxes					302,193.52		302,193.52		
Sales Taxes					658,071.75		658,071.75		
State Shared Revenues					12,065.97		12,065.97		
Grants and Contributions not Restricted to Specific Programs					24,491.65		24,491.65		
Unrestricted Investment Earnings					1,565.52	661.69	2,227.21	376.28	
Miscellaneous Revenue					11,113.66	21,375.00	32,488.66	3,309.73	
Transfers					(2,096.68)	2,096.68	0.00		
<b>Total General Revenues and Transfers</b>					<b>1,007,405.39</b>	<b>24,133.37</b>	<b>1,031,538.76</b>	<b>3,686.01</b>	<b>0.00</b>
<b>Change in Net Position</b>					<b>(152,348.55)</b>	<b>196,688.95</b>	<b>44,340.40</b>	<b>14,889.62</b>	<b>(43,733.85)</b>
<b>Net Position - Beginning</b>					<b>6,330,168.58</b>	<b>1,034,166.23</b>	<b>7,364,334.81</b>	<b>164,625.23</b>	<b>287,768.82</b>
<b>NET POSITION - ENDING</b>					<b>6,177,820.03</b>	<b>1,230,855.18</b>	<b>7,408,675.21</b>	<b>179,514.85</b>	<b>244,034.97</b>

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

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	315,769.66	87,557.81	403,327.47
Investments	111,728.36		111,728.36
Taxes Receivable--Delinquent	7,695.06		7,695.06
Accounts Receivable, Net	1,729.35		1,729.35
Special Assessments Receivable--Current	7,647.06		7,647.06
Special Assessments Receivable--Delinquent	2,625.37	937.20	3,562.57
Special Assessments Receivable--Deferred	15,204.85		15,204.85
Interest Receivable - Special Assessments	8,134.18		8,134.18
Notes Receivable		63,248.07	63,248.07
Due from Airport Hangar Fund	63,347.07		63,347.07
Due from Other Governments	79,774.39	2,261.57	82,035.96
Inventory of Stores Purchased for Resale	77,604.10		77,604.10
Deposits	26,620.08		26,620.08
<b>TOTAL ASSETS</b>	<b>717,879.53</b>	<b>154,004.65</b>	<b>871,884.18</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable	11,853.65		11,853.65
Due to General Fund		63,347.07	63,347.07
<b>Total Liabilities</b>	<b>11,853.65</b>	<b>63,347.07</b>	<b>75,200.72</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue - Property Taxes	7,695.06		7,695.06
Unavailable Revenue - Special Assessments	33,611.46	937.20	34,548.66
<b>Total Deferred Inflows of Resources</b>	<b>41,306.52</b>	<b>937.20</b>	<b>42,243.72</b>
<b>Fund Balances:</b>			
Nonspendable - Inventory	77,604.10		77,604.10
Nonspendable - Notes Receivable		63,248.07	63,248.07
Nonspendable - Cumulative Insurance Reserve	26,620.08		26,620.08
Restricted for Debt Service	174,700.00		174,700.00
Restricted for City Promotion		51,152.92	51,152.92
Restricted for Street Repair		2,755.47	2,755.47
Committed for Economic Development		35,910.99	35,910.99
Assigned for Library	2,073.06		2,073.06
Unassigned	383,722.12	(63,347.07)	320,375.05
<b>Total Fund Balances</b>	<b>664,719.36</b>	<b>89,720.38</b>	<b>754,439.74</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>717,879.53</b>	<b>154,004.65</b>	<b>871,884.18</b>

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

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

Total Fund Balances - Governmental Funds	<u>754,439.74</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>6,634,015.97</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>(1,252,879.40)</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>42,243.72</u>
Net Position - Governmental Activities	<u><u>6,177,820.03</u></u>

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes:			
General Property Taxes	303,270.22		303,270.22
General Sales and Use Taxes	624,875.85	33,195.90	658,071.75
Amusement Taxes	204.00		204.00
Penalties and Interest on Delinquent Taxes	1,718.23		1,718.23
Licenses and Permits	15,974.32		15,974.32
Intergovernmental Revenue:			
Federal Grants	27,000.00	2,279.47	29,279.47
State Grants		202.62	202.62
State Shared Revenue:			
Bank Franchise Tax	2,787.96		2,787.96
Motor Vehicle Commercial Prorate	6,915.69		6,915.69
Liquor Tax Reversion	9,278.01		9,278.01
Motor Vehicle Licenses	9,389.51		9,389.51
Local Government Highway and Bridge Fund	49,838.70		49,838.70
County Shared Revenue:			
County Road Tax	6,001.84		6,001.84
Charges for Goods and Services:			
General Government	1,492.25		1,492.25
Public Safety	5,424.20		5,424.20
Highways and Streets	2,987.03		2,987.03
Health	260.00		260.00
Culture and Recreation	10,962.20		10,962.20
Ambulance	73,268.83		73,268.83
Other	83,788.39		83,788.39
Fines and Forfeits:			
Court Fines and Costs	67.55		67.55
Miscellaneous Revenue:			
Investment Earnings	544.52	1,021.00	1,565.52
Rentals	34,903.37		34,903.37
Special Assessments	9,231.79	25,547.45	34,779.24
Contributions and Donations from Private Sources	24,491.65		24,491.65
Liquor Operating Agreement Income	7,948.05		7,948.05
Other	11,038.66		11,038.66
<b>Total Revenue</b>	<b>1,323,662.82</b>	<b>62,246.44</b>	<b>1,385,909.26</b>

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Expenditures:</b>			
General Government:			
Legislative	35,987.72		35,987.72
Elections	12.16		12.16
Financial Administration	76,775.54		76,775.54
Other	16,180.30		16,180.30
Total General Government	128,955.72	0.00	128,955.72
Public Safety:			
Police	203,036.70		203,036.70
Fire	14,917.70		14,917.70
Total Public Safety	217,954.40	0.00	217,954.40
Public Works:			
Highways and Streets	167,462.56	27,147.91	194,610.47
Airport	109,850.15		109,850.15
Total Public Works	277,312.71	27,147.91	304,460.62
Health and Welfare:			
Health	856.96		856.96
Ambulance	74,636.92		74,636.92
Other	12,944.00		12,944.00
Total Health and Welfare	88,437.88	0.00	88,437.88
Culture and Recreation:			
Recreation	55,656.20		55,656.20
Parks	44,761.62		44,761.62
Libraries	58,783.63		58,783.63
Auditorium	20,027.55		20,027.55
Total Culture and Recreation	179,229.00	0.00	179,229.00
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	14,402.48	24,046.31	38,448.79
Total Conservation and Development	14,402.48	24,046.31	38,448.79
Debt Service	134,265.75	0.00	134,265.75
Capital Outlay	751,306.84	42,760.55	794,067.39
Total Expenditures	1,791,864.78	93,954.77	1,885,819.55

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

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	(468,201.96)	(31,708.33)	(499,910.29)
<b>Other Financing Sources (Uses):</b>			
Transfers In	5,250.79	208.68	5,459.47
Sale of Municipal Property	311.00		311.00
Compensation for Loss or Damage to Capital Assets	75.00		75.00
Transfers Out	(208.68)	(7,347.47)	(7,556.15)
Total Other Financing Sources (Uses)	5,428.11	(7,138.79)	(1,710.68)
Net Change in Fund Balances	(462,773.85)	(38,847.12)	(501,620.97)
Fund Balance - Beginning	1,127,493.21	128,567.50	1,256,060.71
<b>FUND BALANCE - ENDING</b>	<b>664,719.36</b>	<b>89,720.38</b>	<b>754,439.74</b>

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

**MUNICIPALITY OF GREGORY**  
**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>(501,620.97)</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>794,067.39</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>(485,003.14)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(57,503.98)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	<u>20,000.00</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>87,259.08</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>(2,998.93)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(9,895.34)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>3,347.34</u>
Change in Net Position of Governmental Activities	<u><u>(152,348.55)</u></u>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	159,992.02	251,028.42	411,020.44
Investments	186,932.02	53,028.24	239,960.26
Accounts Receivable, Net	4,969.11	5,455.55	10,424.66
Inventory of Supplies	45,813.13		45,813.13
<b>Total Current Assets</b>	<b>397,706.28</b>	<b>309,512.21</b>	<b>707,218.49</b>
Noncurrent Assets:			
Capital Assets:			
Land	24,000.00	50,000.00	74,000.00
Buildings	200,877.02		200,877.02
Improvements Other Than Buildings	1,095,100.06	932,586.49	2,027,686.55
Machinery and Equipment	100,734.00	33,138.35	133,872.35
Less: Accumulated Depreciation	(196,781.61)	(94,155.01)	(290,936.62)
<b>Total Noncurrent Assets</b>	<b>1,223,929.47</b>	<b>921,569.83</b>	<b>2,145,499.30</b>
<b>TOTAL ASSETS</b>	<b>1,621,635.75</b>	<b>1,231,082.04</b>	<b>2,852,717.79</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	5,962.69	571.07	6,533.76
Customer Deposits	12,209.00		12,209.00
Bonds Payable Current:			
Revenue	20,458.66	47,236.18	67,694.84
<b>Total Current Liabilities</b>	<b>38,630.35</b>	<b>47,807.25</b>	<b>86,437.60</b>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	606,297.19	922,899.44	1,529,196.63
Accrued Leave Payable	6,141.74	86.64	6,228.38
<b>Total Noncurrent Liabilities</b>	<b>612,438.93</b>	<b>922,986.08</b>	<b>1,535,425.01</b>
<b>TOTAL LIABILITIES</b>	<b>651,069.28</b>	<b>970,793.33</b>	<b>1,621,862.61</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	597,173.62	(38,251.82)	558,921.80
Restricted for:			
Revenue Bond Debt Service	52,998.69	63,747.51	116,746.20
Unrestricted	320,394.16	234,793.02	555,187.18
<b>TOTAL NET POSITION</b>	<b>970,566.47</b>	<b>260,288.71</b>	<b>1,230,855.18</b>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	253,797.43	105,880.97	359,678.40
Revenue Dedicated to Servicing Debt		31,918.62	31,918.62
Total Operating Revenue	<u>253,797.43</u>	<u>137,799.59</u>	<u>391,597.02</u>
<b>Operating Expenses:</b>			
Personal Services	86,811.79	9,445.03	96,256.82
Other Current Expense	102,432.75	89,586.84	192,019.59
Depreciation	34,472.52	16,446.54	50,919.06
Total Operating Expenses	<u>223,717.06</u>	<u>115,478.41</u>	<u>339,195.47</u>
Operating Income (Loss)	<u>30,080.37</u>	<u>22,321.18</u>	<u>52,401.55</u>
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	375.81	285.88	661.69
Rental Revenue	4,820.00	16,555.00	21,375.00
Interest Expense	(15,003.31)	(32,342.66)	(47,345.97)
Total Nonoperating Revenue (Expense)	<u>(9,807.50)</u>	<u>(15,501.78)</u>	<u>(25,309.28)</u>
Income (Loss) Before Contributions and Transfers	<u>20,272.87</u>	<u>6,819.40</u>	<u>27,092.27</u>
Capital Contributions		167,500.00	167,500.00
Transfers In	2,096.68		2,096.68
Change in Net Position	<u>22,369.55</u>	<u>174,319.40</u>	<u>196,688.95</u>
Net Position - Beginning	948,196.92	85,969.31	1,034,166.23
NET POSITION - ENDING	<u>970,566.47</u>	<u>260,288.71</u>	<u>1,230,855.18</u>

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

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

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	254,996.16	137,146.24	392,142.40
Cash Payments to Employees for Services	(86,228.67)	(9,718.02)	(95,946.69)
Cash Payments to Suppliers of Goods and Services	(102,541.24)	(89,594.84)	(192,136.08)
Net Cash Provided (Used) by Operating Activities	<u>66,226.25</u>	<u>37,833.38</u>	<u>104,059.63</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers In	2,096.68		2,096.68
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,096.68</u>	<u>0.00</u>	<u>2,096.68</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Capital Debt		229,958.00	229,958.00
Capital Contributions		167,500.00	167,500.00
Purchase of Capital Assets		(366,398.90)	(366,398.90)
Principal Paid on Capital Debt	(19,979.09)	(35,183.78)	(55,162.87)
Interest Paid on Capital Debt	(15,003.31)	(32,342.66)	(47,345.97)
Other Receipts	4,820.00	16,555.00	21,375.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,162.40)</u>	<u>(19,912.34)</u>	<u>(50,074.74)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investment Securities	(32.52)	(23.79)	(56.31)
Cash Received for Interest	375.81	285.88	661.69
Net Cash Provided (Used) by Investing Activities	<u>343.29</u>	<u>262.09</u>	<u>605.38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>38,503.82</u>	<u>18,183.13</u>	<u>56,686.95</u>
Balances - Beginning	121,488.20	232,845.29	354,333.49
Balances - Ending	<u>159,992.02</u>	<u>251,028.42</u>	<u>411,020.44</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	30,080.37	22,321.18	52,401.55
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	34,472.52	16,446.54	50,919.06
Change in Assets and Liabilities:			
Receivables	633.73	(653.35)	(19.62)
Inventories	(527.87)		(527.87)
Accounts and Other Payables	419.38	(8.00)	411.38
Accrued Leave Payable	583.12	(272.99)	310.13
Customer Deposits	565.00		565.00
Net Cash Provided (Used) by Operating Activities	<u>66,226.25</u>	<u>37,833.38</u>	<u>104,059.63</u>

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

**MUNICIPALITY OF GREGORY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
December 31, 2014**

	<b>Agency Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>15,262.06</u>
<b>TOTAL ASSETS</b>	<u>15,262.06</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>15,262.06</u>
<b>TOTAL LIABILITIES</b>	<u><u>15,262.06</u></u>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF NET POSITION**  
**December 31, 2013**

	<u>Primary Government</u>			<u>Component Units (Unaudited)</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Housing &amp; Redev't Comm</u>	<u>Ambulance Association</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	970,472.84	354,333.49	1,324,806.33	164,625.23	8,030.54
Investments	111,684.42	239,903.95	351,588.37		
Accounts Receivable, Net	153,339.71	10,405.04	163,744.75		306,238.28
Inventories	75,620.60	45,285.26	120,905.86		
Restricted Assets:					
Deposits	26,620.08		26,620.08		
Capital Assets:					
Land and Construction Work in Progress	506,659.75	74,000.00	580,659.75		
Other Capital Assets, Net of Depreciation	5,855,795.95	1,756,019.46	7,611,815.41		
<b>TOTAL ASSETS</b>	<b>7,700,193.35</b>	<b>2,479,947.20</b>	<b>10,180,140.55</b>	<b>164,625.23</b>	<b>314,268.82</b>
<b>LIABILITIES :</b>					
Accounts Payable	26,538.95	6,122.38	32,661.33		
Other Current Liabilities		11,644.00	11,644.00		
Noncurrent Liabilities:					
Due Within One Year	97,379.50	57,592.62	154,972.12		
Due in More than One Year	1,246,106.32	1,370,421.97	2,616,528.29		26,500.00
<b>TOTAL LIABILITIES</b>	<b>1,370,024.77</b>	<b>1,445,780.97</b>	<b>2,815,805.74</b>	<b>0.00</b>	<b>26,500.00</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	5,039,210.71	407,923.12	5,447,133.83		
Restricted for:					
Capital Projects Purposes	7,137.32		7,137.32		
Debt Service Purposes	102,000.00	116,746.20	218,746.20		
City Promotion	41,978.83		41,978.83		
Cumulative Insurance Reserve	26,620.08		26,620.08		
Unrestricted (Deficit)	1,113,221.64	509,496.91	1,622,718.55	164,625.23	287,768.82
<b>TOTAL NET POSITION</b>	<b>6,330,168.58</b>	<b>1,034,166.23</b>	<b>7,364,334.81</b>	<b>164,625.23</b>	<b>287,768.82</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units (Unaudited)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Housing & Redev't Comm.	Ambulance Association
					Governmental Activities	Business-Type Activities	Total		
<b>Primary Government:</b>									
Governmental Activities:									
General Government	180,524.47	48,498.06			(132,026.41)		(132,026.41)		
Public Safety	209,246.41	3,862.89			(205,383.52)		(205,383.52)		
Public Works	832,986.15	67,157.35	66,066.00	329,687.11	(370,075.69)		(370,075.69)		
Health and Welfare	80,641.40	67,171.90			(13,469.50)		(13,469.50)		
Culture and Recreation	259,738.72	11,155.16			(248,583.56)		(248,583.56)		
Conservation and Development	34,667.20				(34,667.20)		(34,667.20)		
Miscellaneous Expenditures		9,832.00			9,832.00		9,832.00		
*Interest on Long-term Debt	16,797.51				(16,797.51)		(16,797.51)		
<b>Total Governmental Activities</b>	<b>1,614,601.86</b>	<b>207,677.36</b>	<b>66,066.00</b>	<b>329,687.11</b>	<b>(1,011,171.39)</b>		<b>(1,011,171.39)</b>		
Business-type Activities:									
Water	209,721.81	251,800.64				42,078.83	42,078.83		
Sewer	72,117.77	123,900.36				51,782.59	51,782.59		
<b>Total Business-type Activities</b>	<b>281,839.58</b>	<b>375,701.00</b>	<b>0.00</b>	<b>0.00</b>		<b>93,861.42</b>	<b>93,861.42</b>		
<b>Total Primary Government</b>	<b>1,896,441.44</b>	<b>583,378.36</b>	<b>66,066.00</b>	<b>329,687.11</b>	<b>(1,011,171.39)</b>	<b>93,861.42</b>	<b>(917,309.97)</b>		
<b>Component Units: (Unaudited)</b>									
Housing and Redevelopment Commission	83,384.39	54,987.95	33,210.00					4,813.56	
Ambulance Association	136,153.72	320,987.36							184,833.64
<b>General Revenues:</b>									
Taxes:									
Property Taxes					293,573.09		293,573.09		
Sales Taxes					630,443.01		630,443.01		
State Shared Revenues					11,504.21		11,504.21		
Grants and Contributions not Restricted to Specific Programs					9,162.80		9,162.80		
Unrestricted Investment Earnings					2,930.45	1,924.83	4,855.28	434.93	1.14
Miscellaneous Revenue					21,809.97	20,455.00	42,264.97	3,402.40	
Transfers					1,705.00	(1,705.00)	0.00		
<b>Total General Revenues and Transfers</b>					<b>971,128.53</b>	<b>20,674.83</b>	<b>991,803.36</b>	<b>3,837.33</b>	<b>1.14</b>
<b>Change in Net Position</b>					<b>(40,042.86)</b>	<b>114,536.25</b>	<b>74,493.39</b>	<b>8,650.89</b>	<b>184,834.78</b>
<b>Net Position - Beginning</b>					<b>6,328,532.95</b>	<b>898,511.26</b>	<b>7,227,044.21</b>	<b>155,974.34</b>	<b>102,934.04</b>
Adjustments:									
Correct Capital Assets					41,678.49	21,118.72	62,797.21		
<b>Adjusted Net Assets - Beginning</b>					<b>6,370,211.44</b>	<b>919,629.98</b>	<b>7,289,841.42</b>	<b>155,974.34</b>	<b>102,934.04</b>
<b>NET POSITION - ENDING</b>					<b>6,330,168.58</b>	<b>1,034,166.23</b>	<b>7,364,334.81</b>	<b>164,625.23</b>	<b>287,768.82</b>

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

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

**MUNICIPALITY OF GREGORY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2013**

	<b>General Fund</b>	<b>Airport Hangar Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	845,953.92		124,518.92	970,472.84
Investments	111,684.42			111,684.42
Taxes Receivable--Delinquent	10,693.99			10,693.99
Accounts Receivable, Net	2,413.93			2,413.93
Special Assessments Receivable--Current	7,217.64			7,217.64
Special Assessments Receivable--Delinquent	1,838.43		1,189.80	3,028.23
Special Assessments Receivable--Deferred	22,996.54			22,996.54
Interest Receivable - Special Assessments	11,201.59			11,201.59
Notes Receivable			24,282.62	24,282.62
Due from Airport Hangar Fund	23,068.61			23,068.61
Due from Airport Improvement Fund	208.68			208.68
Due from Other Governments	68,461.92		3,043.25	71,505.17
Inventory of Stores Purchased for Resale	75,620.60			75,620.60
Deposits	26,620.08			26,620.08
<b>TOTAL ASSETS</b>	<b>1,207,980.35</b>	<b>0.00</b>	<b>153,034.59</b>	<b>1,361,014.94</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	26,538.95			26,538.95
Due to General Fund		23,068.61	208.68	23,277.29
<b>Total Liabilities</b>	<b>26,538.95</b>	<b>23,068.61</b>	<b>208.68</b>	<b>49,816.24</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue - Property Taxes	10,693.99			10,693.99
Unavailable Revenue - Special Assessments	43,254.20		1,189.80	44,444.00
<b>Total Deferred Inflows of Resources</b>	<b>53,948.19</b>	<b>0.00</b>	<b>1,189.80</b>	<b>55,137.99</b>
<b>Fund Balances:</b>				
Nonspendable - Inventory	75,620.60			75,620.60
Nonspendable - Notes Receivable			24,282.62	24,282.62
Nonspendable - Cumulative Insurance Reserve	26,620.08			26,620.08
Restricted for Debt Service	102,000.00			102,000.00
Restricted for City Promotion			41,978.83	41,978.83
Restricted for Street Repair			7,137.32	7,137.32
Committed for Economic Development			74,128.27	74,128.27
Assigned for Capital Projects			4,317.75	4,317.75
Assigned for Library	9,884.07			9,884.07
Unassigned	913,368.46	(23,068.61)	(208.68)	890,091.17
<b>Total Fund Balances</b>	<b>1,127,493.21</b>	<b>(23,068.61)</b>	<b>151,636.11</b>	<b>1,256,060.71</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>1,207,980.35</b>	<b>0.00</b>	<b>153,034.59</b>	<b>1,361,014.94</b>

**MUNICIPALITY OF GREGORY**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2013**

Total Fund Balances - Governmental Funds	<u>1,256,060.71</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>6,362,455.70</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>(1,343,485.82)</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>55,137.99</u>
Net Position - Governmental Activities	<u><u>6,330,168.58</u></u>

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

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

For the Year Ended December 31, 2013

	General Fund	Airport Hangar Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	290,637.48			290,637.48
General Sales and Use Taxes	598,674.79		31,768.22	630,443.01
Amusement Taxes	216.00			216.00
Tax Deed Revenue	452.72			452.72
Penalties and Interest on Delinquent Taxes	984.13			984.13
Licenses and Permits	12,442.97			12,442.97
Intergovernmental Revenue:				
Federal Grants		226,163.61	26,392.04	252,555.65
State Grants		29,078.59	3,393.31	32,471.90
State Shared Revenue:				
Bank Franchise Tax	2,865.38			2,865.38
Motor Vehicle Commercial Prorate	3,286.89			3,286.89
Liquor Tax Reversion	8,638.83			8,638.83
Motor Vehicle Licenses	11,419.40			11,419.40
Local Government Highway and Bridge Fund	45,357.87			45,357.87
County Shared Revenue:				
County Road Tax	6,001.84			6,001.84
Charges for Goods and Services:				
General Government	15.09			15.09
Public Safety	3,812.89			3,812.89
Highways and Streets	5,047.65			5,047.65
Health	335.00			335.00
Culture and Recreation	10,985.46			10,985.46
Ambulance	66,836.90			66,836.90
Other	62,109.70			62,109.70
Fines and Forfeits:				
Court Fines and Costs	50.00			50.00
Library	169.70			169.70
Miscellaneous Revenue:				
Investment Earnings	1,028.57		1,901.88	2,930.45
Rentals	36,040.00			36,040.00
Special Assessments	11,538.86		31,904.27	43,443.13
Contributions and Donations from Private Sources	9,162.80			9,162.80
Liquor Operating Agreement Income	9,832.00			9,832.00
Other	21,809.97			21,809.97
<b>Total Revenue</b>	<b>1,219,752.89</b>	<b>255,242.20</b>	<b>95,359.72</b>	<b>1,570,354.81</b>

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

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

For the Year Ended December 31, 2013

	General Fund	Airport Hangar Fund	Other Governmental Funds	Total Governmental Funds
<b>Expenditures:</b>				
General Government:				
Legislative	36,285.52			36,285.52
Elections	1,136.97			1,136.97
Financial Administration	109,395.80			109,395.80
Other	16,144.83			16,144.83
Total General Government	162,963.12	0.00	0.00	162,963.12
Public Safety:				
Police	184,971.55			184,971.55
Fire	12,686.10			12,686.10
Total Public Safety	197,657.65	0.00	0.00	197,657.65
Public Works:				
Highways and Streets	328,253.25		25,774.60	354,027.85
Water			1,705.00	1,705.00
Airport	70,322.58		5,794.71	76,117.29
Total Public Works	398,575.83	0.00	33,274.31	431,850.14
Health and Welfare:				
Health	884.81			884.81
Ambulance	74,756.59			74,756.59
Other	5,000.00			5,000.00
Total Health and Welfare	80,641.40	0.00	0.00	80,641.40
Culture and Recreation:				
Recreation	80,794.65			80,794.65
Parks	36,760.66			36,760.66
Libraries	62,938.55			62,938.55
Auditorium	15,267.47		6,676.59	21,944.06
Total Culture and Recreation	195,761.33	0.00	6,676.59	202,437.92
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	9,167.20		25,500.00	34,667.20
Total Conservation and Development	9,167.20	0.00	25,500.00	34,667.20
Debt Service	98,964.50	0.00	0.00	98,964.50
Capital Outlay	33,271.00	276,639.01	0.00	309,910.01
Total Expenditures	1,177,002.03	276,639.01	65,450.90	1,519,091.94

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2013**

	<b>General Fund</b>	<b>Airport Hangar Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Excess of Revenue Over (Under) Expenditures	42,750.86	(21,396.81)	29,908.82	51,262.87
<b>Other Financing Sources (Uses):</b>				
Transfers In	24,321.45		2,192.50	26,513.95
Sale of Municipal Property	408.92			408.92
Long-Term Debt Issued	695,000.00			695,000.00
Transfers Out	(487.50)		(24,321.45)	(24,808.95)
Total Other Financing Sources (Uses)	719,242.87	0.00	(22,128.95)	697,113.92
Net Change in Fund Balances	761,993.73	(21,396.81)	7,779.87	748,376.79
Fund Balance - Beginning	365,499.48	(1,671.80)	143,856.24	507,683.92
<b>FUND BALANCE - ENDING</b>	<b>1,127,493.21</b>	<b>(23,068.61)</b>	<b>151,636.11</b>	<b>1,256,060.71</b>

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

**MUNICIPALITY OF GREGORY**  
**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, 2013**

Net Change in Fund Balances - Total Governmental Funds	<u>748,376.79</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>309,910.01</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>(481,723.53)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(2,800.00)</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>82,166.99</u>
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.	<u>(695,000.00)</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,282.76</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>1,216.43</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(3,472.31)</u>
Change in Net Position of Governmental Activities	<u><u>(40,042.86)</u></u>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2013**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	121,488.20	232,845.29	354,333.49
Investments	186,899.50	53,004.45	239,903.95
Accounts Receivable, Net	5,602.84	4,802.20	10,405.04
Inventory of Supplies	45,285.26		45,285.26
<b>Total Current Assets</b>	<b>359,275.80</b>	<b>290,651.94</b>	<b>649,927.74</b>
Noncurrent Assets:			
Capital Assets:			
Land	24,000.00	50,000.00	74,000.00
Buildings	200,877.02		200,877.02
Improvements Other Than Buildings	1,095,100.06	566,187.59	1,661,287.65
Machinery and Equipment	100,734.00	33,138.35	133,872.35
Less: Accumulated Depreciation	(162,309.09)	(77,708.47)	(240,017.56)
<b>Total Noncurrent Assets</b>	<b>1,258,401.99</b>	<b>571,617.47</b>	<b>1,830,019.46</b>
<b>TOTAL ASSETS</b>	<b>1,617,677.79</b>	<b>862,269.41</b>	<b>2,479,947.20</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	5,543.31	579.07	6,122.38
Customer Deposits	11,644.00		11,644.00
Bonds Payable Current:			
Revenue	19,979.09	34,654.40	54,633.49
<b>Total Current Liabilities</b>	<b>37,166.40</b>	<b>35,233.47</b>	<b>72,399.87</b>
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	626,755.85	740,707.00	1,367,462.85
Accrued Leave Payable	5,558.62	359.63	5,918.25
<b>Total Noncurrent Liabilities</b>	<b>632,314.47</b>	<b>741,066.63</b>	<b>1,373,381.10</b>
<b>TOTAL LIABILITIES</b>	<b>669,480.87</b>	<b>776,300.10</b>	<b>1,445,780.97</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	611,667.05	(203,743.93)	407,923.12
Restricted for:			
Revenue Bond Debt Service	52,998.69	63,747.51	116,746.20
Unrestricted	283,531.18	225,965.73	509,496.91
<b>TOTAL NET POSITION</b>	<b>948,196.92</b>	<b>85,969.31</b>	<b>1,034,166.23</b>

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2013**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Operating Revenue:</b>			
Charges for Goods and Services	251,800.64	123,900.36	375,701.00
Total Operating Revenue	251,800.64	123,900.36	375,701.00
<b>Operating Expenses:</b>			
Personal Services	82,981.98	11,840.07	94,822.05
Other Current Expense	76,414.94	11,174.67	87,589.61
Depreciation	34,472.64	15,481.56	49,954.20
Total Operating Expenses	193,869.56	38,496.30	232,365.86
Operating Income (Loss)	57,931.08	85,404.06	143,335.14
<b>Nonoperating Revenue (Expense):</b>			
Investment Earnings	1,021.73	903.10	1,924.83
Rental Revenue	3,600.00	16,855.00	20,455.00
Interest Expense	(15,852.25)	(33,621.47)	(49,473.72)
Total Nonoperating Revenue (Expense)	(11,230.52)	(15,863.37)	(27,093.89)
Income (Loss) Before Transfers	46,700.56	69,540.69	116,241.25
Transfers Out	(1,705.00)		(1,705.00)
Change in Net Position	44,995.56	69,540.69	114,536.25
Net Position - Beginning	880,655.17	17,856.09	898,511.26
Adjustments:			
Correct Capital Assets	22,546.19	(1,427.47)	21,118.72
Adjusted Net Assets - Beginning	903,201.36	16,428.62	919,629.98
<b>NET POSITION - ENDING</b>	948,196.92	85,969.31	1,034,166.23

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

**MUNICIPALITY OF GREGORY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2013**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Receipts from Customers	250,224.39	122,799.51	373,023.90
Cash Payments to Employees for Services	(81,184.98)	(11,878.89)	(93,063.87)
Cash Payments to Suppliers of Goods and Services	(117,885.95)	(13,013.42)	(130,899.37)
Net Cash Provided (Used) by Operating Activities	<u>51,153.46</u>	<u>97,907.20</u>	<u>149,060.66</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers Out	(1,705.00)		(1,705.00)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,705.00)</u>	<u>0.00</u>	<u>(1,705.00)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Paid on Capital Debt	(17,168.19)	(33,717.48)	(50,885.67)
Interest Paid on Capital Debt	(15,852.25)	(33,621.47)	(49,473.72)
Other Receipts	3,600.00	16,855.00	20,455.00
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,420.44)</u>	<u>(50,483.95)</u>	<u>(79,904.39)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investment Securities	(30,762.91)	(350.50)	(31,113.41)
Cash Received for Interest	1,021.73	903.10	1,924.83
Net Cash Provided (Used) by Investing Activities	<u>(29,741.18)</u>	<u>552.60</u>	<u>(29,188.58)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(9,713.16)</u>	<u>47,975.85</u>	<u>38,262.69</u>
Balances - Beginning	131,201.36	184,869.44	316,070.80
Balances - Ending	<u>121,488.20</u>	<u>232,845.29</u>	<u>354,333.49</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	57,931.08	85,404.06	143,335.14
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	34,472.64	15,481.56	49,954.20
Change in Assets and Liabilities:			
Receivables	(2,321.25)	(1,100.85)	(3,422.10)
Inventories	(45,285.26)		(45,285.26)
Accounts and Other Payables	3,814.25	(1,838.75)	1,975.50
Accrued Leave Payable	1,797.00	(38.82)	1,758.18
Customer Deposits	745.00		745.00
Net Cash Provided (Used) by Operating Activities	<u>51,153.46</u>	<u>97,907.20</u>	<u>149,060.66</u>

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

**MUNICIPALITY OF GREGORY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
December 31, 2013**

	<b>Agency Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>10,737.06</u>
<b>TOTAL ASSETS</b>	<u>10,737.06</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>10,737.06</u>
<b>TOTAL LIABILITIES</b>	<u><u>10,737.06</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

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

The Housing and Redevelopment Commission of the Municipality of Gregory, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Gregory Housing and Redevelopment Commission, Gregory, SD 57533.

The Gregory Ambulance Association provides emergency medical services to the community. The Municipality is responsible for appointing a board to oversee the operations. The Ambulance Association is discretely presented in the Municipality's government-wide financial statements. Financial statements can be obtained from the Finance Office, Box 436, Gregory, SD 57533.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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.

Economic Development Fund – to account for funds loaned out to a new business to be repaid over a period of years. This is not a major fund.

Special Assessment Revolving Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of cost of such improvement assumed by the Municipality and to advance the portion of such cost ultimately to be paid from collections of assessments. (SDCL 9-43-69) This is not a major fund. This fund was closed in 2014.

Special Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is not a major fund.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Liquor, Lodging and Dining Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the municipality. (SDCL 10-52-8) This is not a major fund.

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

6<sup>th</sup>/Logan Street Capital Project Fund – to account for financial resources to be used for 6<sup>th</sup>/Logan Street improvements. This is not a major fund. This fund was closed in 2014.

Water Improvement Capital Project Fund – to account for financial resources to be used for the construction of water improvements. This is not a major fund. This fund was closed in 2014.

2010 Airport Capital Project Fund – to account for financial resources to be used for the construction of airport improvements. This is not a major fund. This fund was closed in 2014.

Airport Hangar Capital Project Fund – to account for financial resources to be used for the improvements to the Airport Hangar. This is a major fund in 2013 and is not a major fund in 2014.

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.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Agency Funds – agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Municipality is acting as the agent for an organization working with troubled youth.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Capital Assets:

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

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

Government-Wide Statements

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

The total December 31, 2014 balance of governmental activities capital assets includes approximately twenty percent for which the costs were determined by estimates of the original costs. The total December 31, 2014 balance of business-type capital assets are all valued at original cost. These estimated original

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 7,500.00	Straight-line	10-50 yrs.
Buildings	\$ 7,500.00	Straight-line	33-99 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-30 yrs.
Infrastructure	\$ 7,500.00	Straight-line	10-50 yrs.
Utility property and improvements	\$ 7,500.00	Straight-line	10-50 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.

**f. Long-Term Liabilities:**

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of revenue bonds, special assessment bonds, SRF loans, Rural Development loans, and compensated absences.

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

g. Program Revenues:

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

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

h. 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.

i. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

j. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

k. Application of Net Position:

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

l. 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.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as Cumulative Insurance Reserve.

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

<u>Fund Balance Type</u>	<u>2013 Amount</u>	<u>2014 Amount</u>	<u>Action</u>
Economic Development	\$ 74,128.27	\$ 35,910.99	Ordinance

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

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

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

<u>General Fund: Activity</u>	<u>Year Ended 12/31/13</u>	<u>Year Ended 12/31/14</u>
Public Works - Highways & Streets	15,253.25	
Culture & Recreation -- Parks	531.66	
Culture & Recreation -- Libraries	13,438.55	2,983.63
Economic Development		5,739.36

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**3. DEFICIT FUND BALANCES/FUND NET POSITION**

As of December 31, 2013 and 2014, the following funds had deficit fund balances/retained earnings in the amounts shown:

	Year Ended <u>12/31/13</u>	Year Ended <u>12/31/14</u>
Airport Improvement Fund	208.68	
Airport Hangar Fund	23,068.61	63,347.07

**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 as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	\$ 86,530.41
Total Investments			<u>\$ 86,530.41</u>

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

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

**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, except for \$63,248.07 of receivables related to economic development loans to qualifying businesses reported in the Special Revenue Revolving Loan Fund.

**6. INVENTORY**

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

**Government-wide Financial Statements:**

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements:

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

**7. PROPERTY TAXES**

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

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

**8. CHANGES IN GENERAL CAPITAL ASSETS**

A summary of changes in capital assets for the two years ended December 31, 2014 is as follows:

	Balance 01/01/2013	Increases	Decreases	Balance 12/31/2014
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	194,800.00	681,836.88	(60,303.98)	816,332.90
Construction Work in Progress	<u>64,908.22</u>	<u>388,269.03</u>	<u>(384,307.78)</u>	<u>68,869.47</u>
Total, not being Depreciated	<u>259,708.22</u>	<u>1,070,105.91</u>	<u>(444,611.76)</u>	<u>885,202.37</u>
Capital Assets, being Depreciated:				
Buildings	4,396,252.83	357,420.30		4,753,673.13
Improvements Other Than Buildings	7,175,388.77			7,175,388.77
Machinery and Equipment	<u>829,292.72</u>	<u>53,871.49</u>		<u>883,164.21</u>
Total, being Depreciated	<u>12,400,934.32</u>	<u>411,291.79</u>	<u>0.00</u>	<u>12,812,226.11</u>
Less Accumulated Depreciation for:				
Buildings	(2,544,489.85)	(127,267.76)	4,763.43	(2,666,994.18)
Improvements Other Than Buildings	(3,135,143.57)	(714,489.84)	54,846.86	(3,794,786.55)
Machinery and Equipment	<u>(485,618.39)</u>	<u>(124,969.07)</u>	<u>8,955.68</u>	<u>(601,631.78)</u>
Total Accumulated Depreciation	<u>(6,165,251.81)</u>	<u>(966,726.67)</u>	<u>68,565.97</u>	<u>(7,063,412.51)</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>6,235,682.51</u>	<u>(555,434.88)</u>	<u>68,565.97</u>	<u>5,748,813.60</u>
Governmental Activity Capital Assets, Net	<u>6,495,390.73</u>	<u>514,671.03</u>	<u>(376,045.79)</u>	<u>6,634,015.97</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions as follows:

	<u>2013</u>	<u>2014</u>
Governmental Activities:		
General Government	\$ 11,697.96	\$ 11,697.96
Public Safety	11,588.76	11,588.76
Public Works	401,136.01	404,540.46
Culture and Recreation	57,300.80	57,175.96
Total Depreciation Expense - Governmental Activities	<u>\$ 481,723.53</u>	<u>\$ 485,003.14</u>

	<u>Balance 01/01/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2014</u>
<b>Business-Type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	74,000.00			74,000.00
Total, not being Depreciated	<u>74,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>74,000.00</u>
Capital Assets, being Depreciated:				
Buildings	200,877.02			200,877.02
Improvements Other Than Buildings	1,661,287.65	366,398.90		2,027,686.55
Machinery and Equipment	133,872.35			133,872.35
Total, being Depreciated	<u>1,996,037.02</u>	<u>366,398.90</u>	<u>0.00</u>	<u>2,362,435.92</u>
Less Accumulated Depreciation for:				
Buildings	(4,017.54)	(8,035.08)	4,017.54	(8,035.08)
Improvements Other Than Buildings	(165,059.92)	(72,963.66)	15,257.95	(222,765.63)
Machinery and Equipment	(42,104.62)	(19,874.52)	1,843.23	(60,135.91)
Total Accumulated Depreciation	<u>(211,182.08)</u>	<u>(100,873.26)</u>	<u>21,118.72</u>	<u>(290,936.62)</u>
Total Business-Type Activities Capital Assets, being Depreciated, Net	<u>1,784,854.94</u>	<u>265,525.64</u>	<u>21,118.72</u>	<u>2,071,499.30</u>
Business-Type Activity Capital Assets, Net	<u>1,858,854.94</u>	<u>265,525.64</u>	<u>21,118.72</u>	<u>2,145,499.30</u>

Depreciation expense was charged to functions as follows:

	<u>2013</u>	<u>2014</u>
Business-Type Activities:		
Water	\$ 34,472.64	\$ 34,472.52
Sewer	15,481.56	16,446.54
Total Depreciation Expense - Business-Type Activities	<u>\$ 49,954.20</u>	<u>\$ 50,919.06</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Construction Work in Progress at December 31, 2014 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/2014</u>	<u>Committed</u>	<u>Required Future Financing</u>
Grandview Addition Improvements	202,500.00	62,502.49	139,997.51	0.00
Airport Apron Expansion	40,000.00	6,366.98	1,681.65	31,951.37
Totals	<u>242,500.00</u>	<u>68,869.47</u>	<u>141,679.16</u>	<u>31,951.37</u>

### 9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance 01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2014</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Sales Tax Revenue Bonds, Series 2012	605,000.00		165,000.00	440,000.00	85,000.00
Sales Tax Revenue Bonds, Series 2013	0.00	695,000.00		695,000.00	5,000.00
Fire Hall Loan	105,411.98		4,426.07	100,985.91	2,478.51
Total Debt	<u>710,411.98</u>	<u>695,000.00</u>	<u>169,426.07</u>	<u>1,235,985.91</u>	<u>92,478.51</u>
Accrued Compensated Absences- Governmental Funds	<u>16,768.52</u>	<u>26,352.79</u>	<u>26,227.82</u>	<u>16,893.49</u>	<u>8,446.75</u>
Total Governmental Activities	<u>727,180.50</u>	<u>721,352.79</u>	<u>195,653.89</u>	<u>1,252,879.40</u>	<u>100,925.26</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds - Rural Development	581,045.39		49,876.59	531,168.80	26,974.83
SRF - Drinking Water No. 1	261,720.13		20,376.12	241,344.01	10,575.31
SRF - Drinking Water No. 2	402,183.00		16,771.16	385,411.84	9,883.35
SRF - Clean Water No. 1	228,033.50		19,024.68	209,008.82	9,947.38
SRF - Clean Water No. 2	0.00	229,958.00		229,958.00	10,313.97
Total Debt	<u>1,472,982.02</u>	<u>229,958.00</u>	<u>106,048.55</u>	<u>1,596,891.47</u>	<u>67,694.84</u>
Accrued Compensated Absences- Business-Type Funds	<u>4,160.07</u>	<u>8,408.89</u>	<u>6,340.58</u>	<u>6,228.38</u>	<u>3,114.19</u>
Total Business-Type Activities	<u>1,477,142.09</u>	<u>238,366.89</u>	<u>112,389.13</u>	<u>1,603,119.85</u>	<u>70,809.03</u>
TOTAL PRIMARY GOVERNMENT	<u>2,204,322.59</u>	<u>959,719.68</u>	<u>308,043.02</u>	<u>2,855,999.25</u>	<u>171,734.29</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Debt payable at December 31, 2014 is comprised of the following:

Revenue Bonds:

Sales Tax Revenue Bonds Series 2012; Final Maturity 2019; Fixed Interest Rate 0.50 to 2.40%; Paid by General Fund	\$ 440,000.00
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Revenue Bonds:

Sales Tax Revenue Bonds Series 2013; Final Maturity 2025; Fixed Interest Rate 4.50%; Paid by General Fund	\$ 695,000.00
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Rural Development Loan:

Fire Hall Loan – 2003; Maturity Date 2039; Interest Rate 4.25 percent; Paid by the General Fund	\$ 100,985.91
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Revenue Bonds:

Revenue Bond Series 1997RD; Final Maturity 2029; Interest Rate 4.75 percent; Paid by the Sewer Fund	\$ 531,168.80
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State Revolving Fund Loan – Drinking Water No. 1:

State Revolving Fund Loan; Final Maturity Date 2033; Interest Rate 2.50 percent; Paid by the Water Fund	\$ 241,344.01
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State Revolving Fund Loan – Drinking Water No. 2:

State Revolving Fund Loan; Final Maturity Date 2043; Interest Rate 2.25 percent; Paid by the Water Fund	\$ 385,411.84
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State Revolving Fund Loan – Clean Water No. 1:

State Revolving Fund Loan; Final Maturity Date 2031; Interest Rate 3.00 percent; Paid by the Sewer Fund	\$ 209,008.82
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State Revolving Fund Loan – Clean Water No. 2:

State Revolving Fund Loan; Final Maturity Date 2025; Interest Rate 2.25 percent; Paid by the Sewer Fund	\$ 229,958.00
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Compensated Absences:

Accrued Vacation Leave for Employees Paid By:	
General Fund	\$ 16,893.49
Water Fund	6,141.74
Sewer Fund	<u>86.64</u>
Total	<u>\$ 23,121.87</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2014, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
December 31, 2014

Year Ending December 31,	Sales Tax Revenue Bonds Series 2012		Sales Tax Revenue Bonds Series 2013		Rural Development Loan - Fire Hall	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	85,000.00	9,455.00	5,000.00	31,275.00	2,478.51	4,168.49
2016	85,000.00	7,967.50	5,000.00	31,050.00	2,583.85	4,063.15
2017	90,000.00	6,480.00	0.00	30,825.00	2,693.66	3,953.34
2018	90,000.00	4,320.00	5,000.00	30,825.00	2,808.14	3,838.86
2019	90,000.00	2,160.00	5,000.00	30,600.00	2,927.49	3,719.51
2020-2024			550,000.00	104,625.00	16,612.88	16,622.12
2025-2029			125,000.00	5,625.00	20,456.22	12,778.78
2030-2034					25,188.69	8,046.31
2035-2039					25,236.47	1,351.53
2040-2044						
<b>Totals</b>	<b>440,000.00</b>	<b>30,382.50</b>	<b>695,000.00</b>	<b>264,825.00</b>	<b>100,985.91</b>	<b>58,542.09</b>

Year Ending December 31,	Revenue Bonds Series 1997RD		State Revolving Loan Fund - Drinking Water No. 1		State Revolving Loan Fund - Drinking Water No. 2	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	26,974.83	24,445.17	10,575.31	5,934.97	9,883.35	8,588.77
2016	28,284.40	23,135.60	10,842.18	5,668.10	10,107.61	8,364.51
2017	29,657.56	21,762.44	11,115.78	5,394.50	10,336.96	8,135.16
2018	31,097.35	20,322.65	11,396.30	5,113.98	10,571.52	7,900.60
2019	32,607.05	18,812.95	11,683.89	4,826.39	10,811.38	7,660.74
2020-2024	185,374.51	71,725.49	62,993.79	19,557.61	57,849.91	34,510.69
2025-2029	197,173.10	12,040.55	71,353.56	11,197.84	64,717.83	27,642.77
2030-2034			51,383.20	2,275.21	72,401.10	19,959.50
2035-2039					80,996.53	11,364.07
2040-2044					57,735.65	2,298.74
<b>Totals</b>	<b>531,168.80</b>	<b>192,244.85</b>	<b>241,344.01</b>	<b>59,968.60</b>	<b>385,411.84</b>	<b>136,425.55</b>

Year Ending December 31,	State Revolving Loan Fund - Clean Water No. 1		State Revolving Loan Fund - Clean Water No. 2		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	9,947.38	6,159.06	10,313.97	2,558.11	160,173.35	92,584.57
2016	10,249.19	5,857.25	20,978.33	4,765.83	173,045.56	90,871.94
2017	10,560.13	5,546.31	21,454.34	4,289.82	175,818.43	86,386.57
2018	10,880.52	5,225.92	21,941.15	3,803.01	183,694.98	81,350.02
2019	11,210.63	4,895.81	22,439.01	3,305.15	186,679.45	75,980.55
2020-2024	61,366.08	19,166.12	120,067.35	8,653.45	1,054,264.52	274,860.48
2025-2029	71,257.33	9,274.87	12,763.85	107.80	562,721.89	78,667.61
2030-2034	23,537.56	622.10			172,510.55	30,903.12
2035-2039					106,233.00	12,715.60
2040-2044					57,735.65	2,298.74
<b>Totals</b>	<b>209,008.82</b>	<b>56,747.44</b>	<b>229,958.00</b>	<b>27,483.17</b>	<b>2,832,877.38</b>	<b>826,619.20</b>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. LONG-TERM COMMITMENT

The Municipality of Gregory entered into a forty-year commitment with Tripp County Water Users District to provide water to the Municipality. A monthly charge in the amount of \$3,000.00 is paid by the Municipality to Tripp County Water Users District. The monthly charge represents a contribution by the Municipality to aid Tripp County Water Users District in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

The following are the minimum payments on this commitment:

2015	\$	36,000.00
2016	\$	36,000.00
2017	\$	36,000.00
2018	\$	36,000.00
2019	\$	36,000.00
2020-2024	\$	180,000.00
2025-2029	\$	180,000.00
2030-2034	\$	180,000.00
2035-2039	\$	180,000.00
2040	\$	36,000.00

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2013 and 2014 were:

Fund	12/31/13	
	Interfund Receivables	Interfund Payables
General Fund	\$ 23,277.29	
Capital Projects Funds:		
Airport Improvement Fund		\$ 208.68
Airport Hangar Fund		\$ 23,068.61
Fund	12/31/14	
Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 63,347.07	
Capital Projects Fund:		
Airport Hangar Fund		\$ 63,347.07

The purpose for interfund receivable/payable balances are to eliminate temporary cash deficits.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**12. RESTRICTED NET POSITION**

Restricted net position for the years ended December 31, 2013 and 2014 were as follows:

	<u>12/31/2013</u>	<u>12/31/2014</u>
Capital Projects	\$ 7,137.32	\$ 2,755.47
Debt Service	218,746.20	291,446.20
City Promotion	41,978.83	51,152.92
Cumulative Insurance Reserve	<u>26,620.08</u>	<u>26,620.08</u>
Total Restricted Net Position	<u>\$ 294,482.43</u>	<u>\$ 371,974.67</u>

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

**13. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2013 were as follows:

	<u>Transfers to:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Water Improvement Fund</u>	<u>6th/Logan Street Fund</u>	
<u>Transfers From:</u>				
Major Funds:				
General Fund			487.50	487.50
Water Fund		1,705.00		1,705.00
Non-major Funds:				
Airport Improvement Fund	<u>24,321.45</u>			<u>24,321.45</u>
TOTAL	<u>24,321.45</u>	<u>1,705.00</u>	<u>487.50</u>	<u>26,513.95</u>

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

	<u>Transfers to:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Airport Improvement Fund</u>	<u>Water Fund</u>	
<u>Transfers From:</u>				
Major Funds:				
General Fund		208.68		208.68
Non-major Funds:				
Special Assessment Fund	3,029.72			3,029.72
Water Improvement Fund			2,096.68	2,096.68
6th/Logan Street Fund	<u>2,221.07</u>			<u>2,221.07</u>
TOTAL	<u>5,250.79</u>	<u>208.68</u>	<u>2,096.68</u>	<u>7,556.15</u>

The Municipality typically budgets transfers to conduct the indispensable functions of the Municipality and to close funds not required.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

14. 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 provide 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 provision 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, SD 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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$23,362.30, \$22,325.06, and \$21,183.20, respectively, equal to the required contributions each year.

15. SIGNIFICANT CONTINGENCIES - LITIGATION

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

16. 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, 2014, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services,

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for general liability, automobile liability, official's liability, law enforcement liability, and property damage coverage.

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

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

As of December 31, 2014, the Municipality has vested balance in the cumulative reserve fund of \$26,620.08.

The Municipality carries a \$100/\$500 deductible for the vehicle coverage and \$250 deductible for the liability and property coverage.

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

Worker's Compensation:

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Unemployment Benefits:

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

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	300,000.00	305,300.00	303,270.22	(2,029.78)
General Sales and Use Taxes	545,300.00	545,300.00	624,875.85	79,575.85
Amusement Taxes	0.00	0.00	204.00	204.00
Penalties and Interest on Delinquent Taxes	800.00	800.00	1,718.23	918.23
Licenses and Permits	12,000.00	12,000.00	15,974.32	3,974.32
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	27,000.00	27,000.00
State Shared Revenue:				
Bank Franchise Tax	2,800.00	2,800.00	2,787.96	(12.04)
Motor Vehicle Commercial Prorate	1,000.00	1,000.00	6,915.69	5,915.69
Liquor Tax Reversion	8,500.00	8,500.00	9,278.01	778.01
Motor Vehicle Licenses	11,000.00	11,000.00	9,389.51	(1,610.49)
Local Government Highway and Bridge Fund	30,000.00	30,000.00	49,838.70	19,838.70
County Shared Revenue:				
County Road Tax	6,000.00	6,000.00	6,001.84	1.84
Charges for Goods and Services:				
General Government	0.00	0.00	1,492.25	1,492.25
Public Safety	3,000.00	3,000.00	5,424.20	2,424.20
Highways and Streets	0.00	0.00	2,987.03	2,987.03
Health	0.00	0.00	260.00	260.00
Culture and Recreation	11,000.00	11,000.00	10,962.20	(37.80)
Ambulance	65,000.00	65,000.00	73,268.83	8,268.83
Other	60,000.00	80,000.00	83,788.39	3,788.39
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	67.55	(432.45)
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	544.52	(455.48)
Rentals	19,900.00	19,900.00	34,903.37	15,003.37
Special Assessments	9,400.00	9,400.00	9,231.79	(168.21)
Contributions and Donations from Private Sources	0.00	0.00	24,491.65	24,491.65
Liquor Operating Agreement Income	8,000.00	8,000.00	7,948.05	(51.95)
Other	500.00	18,500.00	11,038.66	(7,461.34)
<b>Total Revenue</b>	<b>1,095,700.00</b>	<b>1,139,000.00</b>	<b>1,323,662.82</b>	<b>184,662.82</b>
<b>Expenditures:</b>				
General Government:				
Legislative	40,100.00	40,100.00	35,987.72	4,112.28
Contingency	3,500.00	3,500.00		3,500.00
Amount Transferred		0.00		3,500.00
Elections	1,000.00	1,000.00	12.16	987.84
Financial Administration	80,700.00	80,700.00	76,775.54	3,924.46
Other	21,100.00	21,100.00	16,180.30	4,919.70
<b>Total General Government</b>	<b>146,400.00</b>	<b>146,400.00</b>	<b>128,955.72</b>	<b>17,444.28</b>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	202,500.00	215,500.00	203,036.70	12,463.30
Fire	13,000.00	15,000.00	14,917.70	82.30
Total Public Safety	<u>215,500.00</u>	<u>230,500.00</u>	<u>217,954.40</u>	<u>12,545.60</u>
Public Works:				
Highways and Streets	261,000.00	323,000.00	241,332.03	81,667.97
Airport	77,000.00	112,000.00	109,850.15	2,149.85
Total Public Works	<u>338,000.00</u>	<u>435,000.00</u>	<u>351,182.18</u>	<u>83,817.82</u>
Health and Welfare:				
Health	10,500.00	10,500.00	856.96	9,643.04
Ambulance	78,000.00	80,000.00	74,636.92	5,363.08
Other	12,000.00	20,000.00	12,944.00	7,056.00
Total Health and Welfare	<u>100,500.00</u>	<u>110,500.00</u>	<u>88,437.88</u>	<u>22,062.12</u>
Culture and Recreation:				
Recreation	57,000.00	57,000.00	55,656.20	1,343.80
Parks	35,000.00	65,000.00	60,362.11	4,637.89
Libraries	50,300.00	55,800.00	58,783.63	(2,983.63)
Auditorium	9,500.00	24,500.00	20,027.55	4,472.45
Total Culture and Recreation	<u>151,800.00</u>	<u>202,300.00</u>	<u>194,829.49</u>	<u>7,470.51</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	10,500.00	670,500.00	676,239.36	(5,739.36)
Total Conservation and Development	<u>10,500.00</u>	<u>670,500.00</u>	<u>676,239.36</u>	<u>(5,739.36)</u>
Debt Service	<u>133,000.00</u>	<u>169,000.00</u>	<u>134,265.75</u>	<u>34,734.25</u>
Total Expenditures	<u>1,095,700.00</u>	<u>1,964,200.00</u>	<u>1,791,864.78</u>	<u>172,335.22</u>
Excess of Revenue Over (Under) Expenditures	<u>0.00</u>	<u>(825,200.00)</u>	<u>(468,201.96)</u>	<u>356,998.04</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	0.00	5,250.79	5,250.79
Sale of Muncipal Property	0.00	0.00	311.00	311.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	75.00	75.00
Long-Term Debt Issued	0.00	655,000.00	0.00	(655,000.00)
Transfers Out	0.00	0.00	(208.68)	(208.68)
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>655,000.00</u>	<u>5,428.11</u>	<u>(649,571.89)</u>
Net Change in Fund Balances	<u>0.00</u>	<u>(170,200.00)</u>	<u>(462,773.85)</u>	<u>(292,573.85)</u>
Fund Balance - Beginning	1,127,493.21	1,127,493.21	1,127,493.21	0.00
FUND BALANCE - ENDING	<u>1,127,493.21</u>	<u>957,293.21</u>	<u>664,719.36</u>	<u>(292,573.85)</u>

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

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	292,300.00	292,300.00	290,637.48	(1,662.52)
General Sales and Use Taxes	510,000.00	510,000.00	598,674.79	88,674.79
Amusement Taxes	0.00	0.00	216.00	216.00
Tax Deed Revenue	0.00	0.00	452.72	452.72
Penalties and Interest on Delinquent Taxes	800.00	800.00	984.13	184.13
Licenses and Permits	12,500.00	12,500.00	12,442.97	(57.03)
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	2,500.00	2,500.00	2,865.38	365.38
Motor Vehicle Commercial Prorate	0.00	0.00	3,286.89	3,286.89
Liquor Tax Reversion	8,500.00	8,500.00	8,638.83	138.83
Motor Vehicle Licenses	12,500.00	12,500.00	11,419.40	(1,080.60)
Local Government Highway and Bridge Fund	30,000.00	30,000.00	45,357.87	15,357.87
County Shared Revenue:				
County Road Tax	6,000.00	6,000.00	6,001.84	1.84
Charges for Goods and Services:				
General Government	0.00	0.00	15.09	15.09
Public Safety	0.00	0.00	3,812.89	3,812.89
Highways and Streets	2,000.00	2,000.00	5,047.65	3,047.65
Health	500.00	500.00	335.00	(165.00)
Culture and Recreation	12,500.00	12,500.00	10,985.46	(1,514.54)
Ambulance	70,000.00	77,000.00	66,836.90	(10,163.10)
Other	65,000.00	65,000.00	62,109.70	(2,890.30)
Fines and Forfeits:				
Court Fines and Costs	500.00	500.00	50.00	(450.00)
Library	0.00	0.00	169.70	169.70
Miscellaneous Revenue:				
Investment Earnings	1,500.00	1,500.00	1,028.57	(471.43)
Rentals	19,500.00	19,500.00	36,040.00	16,540.00
Special Assessments	8,600.00	8,600.00	11,538.86	2,938.86
Contributions and Donations from Private Sources	0.00	33,000.00	9,162.80	(23,837.20)
Liquor Operating Agreement Income	8,600.00	8,600.00	9,832.00	1,232.00
Other	0.00	16,000.00	21,809.97	5,809.97
<b>Total Revenue</b>	<b>1,063,800.00</b>	<b>1,119,800.00</b>	<b>1,219,752.89</b>	<b>99,952.89</b>
<b>Expenditures:</b>				
General Government:				
Legislative	40,100.00	40,100.00	36,285.52	3,814.48
Contingency	3,000.00	3,000.00		
Amount Transferred		0.00		3,000.00
Elections	1,000.00	1,200.00	1,136.97	63.03
Financial Administration	112,400.00	112,400.00	109,395.80	3,004.20
Other	19,300.00	19,300.00	16,144.83	3,155.17
<b>Total General Government</b>	<b>175,800.00</b>	<b>176,000.00</b>	<b>162,963.12</b>	<b>13,036.88</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF GREGORY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	189,500.00	189,500.00	184,971.55	4,528.45
Fire	13,000.00	13,000.00	12,686.10	313.90
Total Public Safety	202,500.00	202,500.00	197,657.65	4,842.35
Public Works:				
Highways and Streets	253,000.00	313,000.00	328,253.25	(15,253.25)
Airport	82,500.00	82,500.00	70,322.58	12,177.42
Total Public Works	335,500.00	395,500.00	398,575.83	(3,075.83)
Health and Welfare:				
Health	14,500.00	14,500.00	884.81	13,615.19
Ambulance	73,000.00	80,000.00	74,756.59	5,243.41
Other	5,000.00	5,000.00	5,000.00	0.00
Total Health and Welfare	92,500.00	99,500.00	80,641.40	18,858.60
Culture and Recreation:				
Recreation	56,000.00	82,000.00	80,794.65	1,205.35
Parks	36,500.00	69,500.00	70,031.66	(531.66)
Libraries	48,500.00	49,500.00	62,938.55	(13,438.55)
Auditorium	7,500.00	15,500.00	15,267.47	232.53
Total Culture and Recreation	148,500.00	216,500.00	229,032.33	(12,532.33)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	10,500.00	10,500.00	9,167.20	1,332.80
Total Conservation and Development	10,500.00	10,500.00	9,167.20	1,332.80
Debt Service	98,500.00	99,000.00	98,964.50	35.50
Total Expenditures	1,063,800.00	1,199,500.00	1,177,002.03	22,497.97
Excess of Revenue Over (Under) Expenditures	0.00	(79,700.00)	42,750.86	122,450.86
<b>Other Financing Sources (Uses):</b>				
Transfers In	0.00	24,000.00	24,321.45	321.45
Sale of Muncipal Property	0.00	0.00	408.92	408.92
Long-Term Debt Issued	0.00	0.00	695,000.00	695,000.00
Transfers Out	0.00	(7,000.00)	(487.50)	6,512.50
Total Other Financing Sources (Uses)	0.00	17,000.00	719,242.87	702,242.87
Net Change in Fund Balances	0.00	(62,700.00)	761,993.73	824,693.73
Fund Balance - Beginning	365,499.48	365,499.48	365,499.48	0.00
FUND BALANCE - ENDING	365,499.48	302,799.48	1,127,493.21	824,693.73

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTE 1. Budgets and Budgetary Accounting**

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

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

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

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

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

**NOTE 2. GAAP/Budgetary Accounting Basis Differences**

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

**MUNICIPALITY OF GREGORY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2014**

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Street Assessment Fund</b>	<b>Airport Hangar Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>					
Cash and Cash Equivalents	35,910.99	49,285.38	2,361.44		87,557.81
Special Assessments Receivable--Delinquent			937.20		937.20
Notes Receivable	63,248.07				63,248.07
Due from Other Government		1,867.54	394.03		2,261.57
<b>TOTAL ASSETS</b>	<b>99,159.06</b>	<b>51,152.92</b>	<b>3,692.67</b>	<b>0.00</b>	<b>154,004.65</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
Liabilities:					
Due to General Fund				63,347.07	63,347.07
<b>Total Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>63,347.07</b>	<b>63,347.07</b>
Deferred Inflows of Resources:					
Unavailable Revenue - Special Assessments			937.20		937.20
<b>Total Deferred Inflows of Resources</b>	<b>0.00</b>	<b>0.00</b>	<b>937.20</b>	<b>0.00</b>	<b>937.20</b>
Fund Balances:					
Nonspendable - Notes Receivable	63,248.07				63,248.07
Restricted for City Promotion		51,152.92			51,152.92
Restricted for Street Repair			2,755.47		2,755.47
Committed for Economic Development	35,910.99				35,910.99
Unassigned				(63,347.07)	(63,347.07)
<b>Total Fund Balances</b>	<b>99,159.06</b>	<b>51,152.92</b>	<b>2,755.47</b>	<b>(63,347.07)</b>	<b>89,720.38</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>99,159.06</b>	<b>51,152.92</b>	<b>3,692.67</b>	<b>0.00</b>	<b>154,004.65</b>

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

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Assessment Fund</b>	<b>Special Street Assessment Fund</b>	<b>Airport Hangar Fund</b>	<b>Airport Improvement Fund</b>	<b>Water Improvement Fund</b>	<b>6th/Logan Street Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>									
Taxes:									
General Sales and Use Taxes		33,195.90							33,195.90
Intergovernmental Revenue:									
Federal Grants					2,279.47				2,279.47
State Grants					202.62				202.62
Miscellaneous Revenue:									
Investment Earnings	772.67			248.33					1,021.00
Special Assessment				25,547.45					25,547.45
<b>Total Revenue</b>	<b>772.67</b>	<b>33,195.90</b>	<b>0.00</b>	<b>25,795.78</b>	<b>2,482.09</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>62,246.44</b>
<b>Expenditures:</b>									
Public Works:									
Highways and Streets				27,147.91					27,147.91
<b>Total Public Works</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>27,147.91</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>27,147.91</b>
Conservation and Development:									
Economic Development and Assistance (Industrial Development)	24.50	24,021.81							24,046.31
<b>Total Conservation and Development</b>	<b>24.50</b>	<b>24,021.81</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>24,046.31</b>
Capital Outlay	0.00	0.00	0.00	0.00	42,760.55	0.00	0.00	0.00	42,760.55
<b>Total Expenditures</b>	<b>24.50</b>	<b>24,021.81</b>	<b>0.00</b>	<b>27,147.91</b>	<b>42,760.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>93,954.77</b>
Excess of Revenue Over (Under) Expenditures	748.17	9,174.09	0.00	(1,352.13)	(40,278.46)	0.00	0.00	0.00	(31,708.33)
<b>Other Financing Sources (Uses):</b>									
Transfers In						208.68			208.68
Transfers Out			(3,029.72)				(2,096.68)	(2,221.07)	(7,347.47)
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>(3,029.72)</b>	<b>0.00</b>	<b>0.00</b>	<b>208.68</b>	<b>(2,096.68)</b>	<b>(2,221.07)</b>	<b>(7,138.79)</b>
<b>Net Change in Fund Balances</b>	<b>748.17</b>	<b>9,174.09</b>	<b>(3,029.72)</b>	<b>(1,352.13)</b>	<b>(40,278.46)</b>	<b>208.68</b>	<b>(2,096.68)</b>	<b>(2,221.07)</b>	<b>(38,847.12)</b>
Fund Balance - Beginning	98,410.89	41,978.83	3,029.72	4,107.60	(23,068.61)	(208.68)	2,096.68	2,221.07	128,567.50
<b>FUND BALANCE - ENDING</b>	<b>99,159.06</b>	<b>51,152.92</b>	<b>0.00</b>	<b>2,755.47</b>	<b>(63,347.07)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>89,720.38</b>

**MUNICIPALITY OF GREGORY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2013**

	<b>Economic Development Fund</b>	<b>Liquor, Lodging, &amp; Dining Sales Tax Fund</b>	<b>Special Assessment Fund</b>	<b>Special Street Assessment Fund</b>	<b>Airport Improvement Fund</b>	<b>Water Improvement Fund</b>	<b>6th/Logan Street Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>								
Cash and Cash Equivalents	74,128.27	39,222.68	3,029.72	3,820.50		2,096.68	2,221.07	124,518.92
Special Assessments Receivable--Delinquent				1,189.80				1,189.80
Notes Receivable	24,282.62							24,282.62
Due from Other Government		2,756.15		287.10				3,043.25
<b>TOTAL ASSETS</b>	<b>98,410.89</b>	<b>41,978.83</b>	<b>3,029.72</b>	<b>5,297.40</b>	<b>0.00</b>	<b>2,096.68</b>	<b>2,221.07</b>	<b>153,034.59</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>								
Liabilities:								
Due to General Fund					208.68			208.68
<b>Total Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>208.68</b>	<b>0.00</b>	<b>0.00</b>	<b>208.68</b>
Deferred Inflows of Resources:								
Unavailable Revenue - Special Assessments				1,189.80				1,189.80
<b>Total Deferred Inflows of Resources</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,189.80</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,189.80</b>
Fund Balances:								
Nonspendable - Notes Receivable	24,282.62							24,282.62
Restricted for City Promotion		41,978.83						41,978.83
Restricted for Street Repair			3,029.72	4,107.60				7,137.32
Committed for Economic Development	74,128.27							74,128.27
Assigned for Capital Projects						2,096.68	2,221.07	4,317.75
Unassigned					(208.68)			(208.68)
<b>Total Fund Balances</b>	<b>98,410.89</b>	<b>41,978.83</b>	<b>3,029.72</b>	<b>4,107.60</b>	<b>(208.68)</b>	<b>2,096.68</b>	<b>2,221.07</b>	<b>151,636.11</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>98,410.89</b>	<b>41,978.83</b>	<b>3,029.72</b>	<b>5,297.40</b>	<b>0.00</b>	<b>2,096.68</b>	<b>2,221.07</b>	<b>153,034.59</b>

**MUNICIPALITY OF GREGORY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2013**

	Economic Development Fund	Liquor, Lodging, & Dining Sales Tax Fund	Special Assessment Fund	Special Street Assessment Fund	Airport Improvement Fund	Water Improvement Fund	6th/Logan Street Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>								
Taxes:								
General Sales and Use Taxes		31,768.22						31,768.22
Intergovernmental Revenue:								
Federal Grants					26,392.04			26,392.04
State Grants					3,393.31			3,393.31
Miscellaneous Revenue:								
Investment Earnings	843.33		904.40	154.15				1,901.88
Special Assessment			6,892.37	25,011.90				31,904.27
<b>Total Revenue</b>	<b>843.33</b>	<b>31,768.22</b>	<b>7,796.77</b>	<b>25,166.05</b>	<b>29,785.35</b>	<b>0.00</b>	<b>0.00</b>	<b>95,359.72</b>
<b>Expenditures:</b>								
Public Works:								
Highways and Streets				25,287.10			487.50	25,774.60
Water						1,705.00		1,705.00
Airport					5,794.71			5,794.71
<b>Total Public Works</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25,287.10</b>	<b>5,794.71</b>	<b>1,705.00</b>	<b>487.50</b>	<b>33,274.31</b>
Culture and Recreation:								
Auditorium		6,676.59						6,676.59
<b>Total Culture and Recreation</b>	<b>0.00</b>	<b>6,676.59</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,676.59</b>
Conservation and DeVelopment:								
Economic Development and Assistance (Industrial Development)		25,500.00						25,500.00
<b>Total Conservation and Development</b>	<b>0.00</b>	<b>25,500.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25,500.00</b>
<b>Total Expenditures</b>	<b>0.00</b>	<b>32,176.59</b>	<b>0.00</b>	<b>25,287.10</b>	<b>5,794.71</b>	<b>1,705.00</b>	<b>487.50</b>	<b>65,450.90</b>
Excess of Revenue Over (Under) Expenditures	843.33	(408.37)	7,796.77	(121.05)	23,990.64	(1,705.00)	(487.50)	29,908.82
<b>Other Financing Sources (Uses):</b>								
Transfers In						1,705.00	487.50	2,192.50
Transfers Out					(24,321.45)			(24,321.45)
<b>Total Other Financing Sources (Uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(24,321.45)</b>	<b>1,705.00</b>	<b>487.50</b>	<b>(22,128.95)</b>
<b>Net Change in Fund Balances</b>	<b>843.33</b>	<b>(408.37)</b>	<b>7,796.77</b>	<b>(121.05)</b>	<b>(330.81)</b>	<b>0.00</b>	<b>0.00</b>	<b>7,779.87</b>
Fund Balance - Beginning	97,567.56	42,387.20	(4,767.05)	4,228.65	122.13	2,096.68	2,221.07	143,856.24
<b>FUND BALANCE - ENDING</b>	<b>98,410.89</b>	<b>41,978.83</b>	<b>3,029.72</b>	<b>4,107.60</b>	<b>(208.68)</b>	<b>2,096.68</b>	<b>2,221.07</b>	<b>151,636.11</b>

**MUNICIPALITY OF GREGORY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Two Years Ended December 31, 2014**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures 2013</u>	<u>Expenditures 2014</u>
US Department of Housing and Urban Development: CDBG - State-Administered CDBG Cluster: Indirect Federal Funding: SD Governor's Office of Economic Development, Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>                    </u>	<u>157,500.00</u>
Total US Department of Housing and Urban Development		<u>0.00</u>	<u>157,500.00</u>
US Department of Interior: Indirect Federal Funding: SD Department of Game, Fish & Parks, Outdoor Recreation--Acquisition, Development and Planning	15.916	<u>                    </u>	<u>27,000.00</u>
Total US Department of Interior		<u>0.00</u>	<u>27,000.00</u>
US Department of Transportation: Direct Federal Funding: Airport Improvement Program (Note 2)	20.106	<u>252,555.65</u>	<u>2,279.47</u>
Total US Department of Transportation		<u>252,555.65</u>	<u>2,279.47</u>
US General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 3)	39.003	<u>1,972.76</u>	<u>                    </u>
Total US General Services Administration		<u>1,972.76</u>	<u>0.00</u>
US Environmental Protection Agency: Indirect Federal Funding: SD Department of Environment and Natural Resources Capitalization Grants for Clean Water State Revolving Funds (Federal Portion)(Note 2)	66.458	<u>                    </u>	<u>227,658.00</u>
Total US Environmental Protection Agency		<u>0.00</u>	<u>227,658.00</u>
GRAND TOTAL		<u>254,528.41</u>	<u>414,437.47</u>

**Note 1:** This accompanying schedule of expenditures of federal awards includes the federal grant activity of the municipality and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133k Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2:** This represents a Major Federal Financial Assistance Program.

**Note 3:** The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality.