

**MUNICIPALITY OF HOWARD
HOWARD, SOUTH DAKOTA**

AUDIT REPORT

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

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF HOWARD

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Andrew Dold

GOVERNING BOARD:

Greg Dufault – President
Jean Thompson – Vice-President
Bernard Feldhaus
Mark Karstens
Mary Leary
Ryan Spader

FINANCE OFFICER:

Donna Klinkhammer

ATTORNEY:

David Jencks

Schoenfish & Co., Inc.

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Schoenfish & Co., Inc.

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

Municipal Council
Municipality of Howard
Howard, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Howard, South Dakota (Municipality), as of December 31, 2015 and 2014, and for the years in the biennial period then ended which collectively comprise the Municipality's financial statements and have issued our report thereon dated August 22, 2016. A disclaimer of opinion for the aggregate discretely presented component unit was issued due to the Municipality's financial statements including unaudited financial information for the Howard Housing and Redevelopment Commission. An unqualified opinion was issued for the remaining opinion units.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

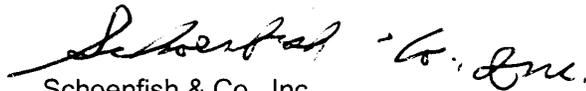
As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2015-002.

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
August 22, 2016

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This condition continues to exist and is restated as current audit finding number 2015-001.

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

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

Criteria:

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

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

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

Compliance – Related Findings:Finding Number 2015-002:

Expenditures exceeded the amounts budgeted in the Library Fines Fund in 2014. This is the first consecutive audit in which a similar comment has occurred.

Criteria:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Condition:

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

Effect:

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

Recommendation:

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

Management's Response:

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

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Mayor and Finance Officer on August 30, 2016.

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INDEPENDENT AUDITOR'S REPORT

Municipal Council
Municipality of Howard
Howard, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Howard, South Dakota, (Municipality) as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

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

The financial statements of the Howard Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Howard Housing and Redevelopment Commission's financial statements as part of our audit of the Municipality's basic financial statements. The Howard Housing and Redevelopment Commission's unaudited financial activities are included in the Municipality's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net position, revenues and expenses of the Municipality's aggregate discretely presented component unit opinion unit.

Disclaimer of Opinion

Because we were not engaged to audit, and did not audit the Howard Housing and Redevelopment Commission's financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component unit opinion unit of the Municipality of Howard, South Dakota as of December 31, 2015 and 2014, and for each of the years in the biennial period then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, and each major fund of the Municipality of Howard as of December 31, 2015, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

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

Other Matters

Supplementary Information

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
August 22, 2016

Schoenfish & Co., Inc.

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MUNICIPALITY OF HOWARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2015

	Primary Government		Total	Component Units (Unaudited)
	Governmental Activities	Business-Type Activities		
ASSETS:				
Cash and Cash Equivalents	560,938.60	1,245,192.93	1,806,131.53	381,002.11
Investments	39,673.79	960,326.21	1,000,000.00	75,872.15
TOTAL ASSETS	600,612.39	2,205,519.14	2,806,131.53	456,874.26
NET POSITION:				
Restricted for:				
Debt Service Purposes	36.15		36.15	
Permanently Restricted Purposes:				
Non-Expendable	39,511.29		39,511.29	
Library Fines	4,116.86		4,116.86	
Unrestricted	556,948.09	2,205,519.14	2,762,467.23	456,874.26
TOTAL NET POSITION	600,612.39	2,205,519.14	2,806,131.53	456,874.26

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

MUNICIPALITY OF HOWARD
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units (Unaudited)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	115,040.17	9,396.56			(105,643.61)		(105,643.61)	
Public Safety	154,079.86	1,348.68			(152,731.18)		(152,731.18)	
Public Works	409,474.71	600.00	49,292.40	29,182.19	(330,400.12)		(330,400.12)	
Health and Welfare	4,615.50	400.00	1,819.00		(2,396.50)		(2,396.50)	
Culture and Recreation	125,173.18	18,011.51			(107,161.67)		(107,161.67)	
Conservation and Development	24,792.00				(24,792.00)		(24,792.00)	
*Interest on Long-Term Debt	21,847.32				(21,847.32)		(21,847.32)	
Total Governmental Activities	855,022.74	29,756.75	51,111.40	29,182.19	(744,972.40)		(744,972.40)	
Business-type Activities:								
Water	209,410.13	214,436.13				5,026.00	5,026.00	
Electric	1,211,268.97	1,315,859.93				104,590.96	104,590.96	
Sewer	84,113.26	137,894.48				53,781.22	53,781.22	
Airport	29,989.06	14,599.58	26,727.05			11,337.57	11,337.57	
Waste	169,126.71	159,268.96				(9,857.75)	(9,857.75)	
Total Business-Type Activities	1,703,908.13	1,842,059.08	26,727.05	0.00		164,878.00	164,878.00	
Total Primary Government	2,558,930.87	1,871,815.83	77,838.45	29,182.19	(744,972.40)	164,878.00	(580,094.40)	
Component Units (Unaudited):								
Housing and Redevelopment Commission	93,218.33	49,153.25	68,006.53					23,941.45
General Revenues:								
Taxes:								
Property Taxes					275,725.34		275,725.34	
Sales Taxes					415,682.40		415,682.40	
State Shared Revenues					6,108.50		6,108.50	
Unrestricted Investment Earnings					1,261.91	4,910.83	6,172.74	1,559.27
Miscellaneous Revenue					8,793.17		8,793.17	1,341.25
Total General Revenues					707,571.32	4,910.83	712,482.15	2,900.52
Change in Net Position					(37,401.08)	169,788.83	132,387.75	26,841.97
Net Position - Beginning					638,013.47	2,035,730.31	2,673,743.78	430,032.59
NET POSITION - ENDING					600,612.39	2,205,519.14	2,806,131.53	456,874.56

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

**MUNICIPALITY OF HOWARD
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2015**

	<u>General Fund</u>	<u>Library Fines Fund</u>	<u>Carmen Meadows Debt Service Fund</u>	<u>Cemetery Care Fund</u>	<u>Total</u>
ASSETS:					
Cash and Cash Equivalents	556,785.59	4,116.86	36.15		560,938.60
Investments	162.50			39,511.29	39,673.79
TOTAL ASSETS	<u>556,948.09</u>	<u>4,116.86</u>	<u>36.15</u>	<u>39,511.29</u>	<u>600,612.39</u>
FUND BALANCES:					
Nonspendable				39,511.29	39,511.29
Restricted for Library Fines		4,116.86			4,116.86
Restricted for Debt Service			36.15		36.15
Committed for Rescue Pumper	90,000.00				90,000.00
Assigned for Next Year's Budget	81,700.00				81,700.00
Unassigned	385,248.09				385,248.09
TOTAL FUND BALANCES	<u>556,948.09</u>	<u>4,116.86</u>	<u>36.15</u>	<u>39,511.29</u>	<u>600,612.39</u>

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Revenues:					
Taxes:					
General Property Taxes	261,200.46		13,818.81		275,019.27
General Sales and Use Taxes	415,682.40				415,682.40
Amusement Taxes	120.00				120.00
Penalties & Interest on Delinquent Taxes	586.07				586.07
Total Taxes	677,588.93	0.00	13,818.81	0.00	691,407.74
Licenses and Permits	7,090.00	0.00	0.00	0.00	7,090.00
Intergovernmental Revenue:					
Federal Payments in Lieu of Taxes	1,295.75				1,295.75
State Grants	1,819.00				1,819.00
State Shared Revenue:					
Bank Franchise Tax	773.18				773.18
Prorate License Fees	3,773.80				3,773.80
Liquor Tax Reversion	5,335.32				5,335.32
Motor Vehicle Licenses	11,714.28				11,714.28
Local Government Highway and Bridge Fund	29,716.96				0.00
County Shared Revenue:					29,716.96
County Road Tax	4,087.36				4,087.36
Total Intergovernmental Revenue	58,515.65	0.00	0.00	0.00	58,515.65
Charges for Goods and Services:					
General Government	1,680.56				1,680.56
Public Safety	1,348.68				1,348.68
Health	400.00				400.00
Culture and Recreation	12,385.65				12,385.65
Cemetery	600.00				600.00
Total Charges for Goods and Services	16,414.89	0.00	0.00	0.00	16,414.89

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Revenues (Continued):					
Fines and Forfeits:					
Library		491.42			491.42
Total Fines and Forfeits	0.00	491.42	0.00	0.00	491.42
Miscellaneous Revenue:					
Investment Earnings	1,261.91				1,261.91
Rentals	5,760.44				5,760.44
Special Assessments	21,087.37				21,087.37
Contributions and Donations from Private Sources			8,094.82		8,094.82
Other	6,197.42				6,197.42
Total Miscellaneous Revenue	34,307.14	0.00	8,094.82	0.00	42,401.96
Total Revenue	793,916.61	491.42	21,913.63	0.00	816,321.66
Expenditures:					
General Government:					
Executive	23,986.47				23,986.47
Financial Administration	80,081.90				80,081.90
Other	10,971.80				10,971.80
Total General Government	115,040.17	0.00	0.00	0.00	115,040.17
Public Safety:					
Police	117,482.31				117,482.31
Fire	36,597.55				36,597.55
Total Public Safety	154,079.86	0.00	0.00	0.00	154,079.86
Public Works:					
Highways and Streets	399,567.84				399,567.84
Rubble Site	6,345.98				6,345.98
Cemeteries	3,560.89				3,560.89
Total Public Works	409,474.71	0.00	0.00	0.00	409,474.71

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Expenditures (Continued):					
Health and Welfare:					
Health	4,615.50				4,615.50
Total Health and Welfare	4,615.50	0.00	0.00	0.00	4,615.50
Culture and Recreation:					
Recreation	77,778.99				77,778.99
Parks	17,526.94				17,526.94
Libraries	29,408.07	459.18			29,867.25
Total Culture and Recreation	124,714.00	459.18	0.00	0.00	125,173.18
Conservation and Development:					
Economic Opportunity and Assistance (Industrial Development)	24,792.00	0.00	0.00	0.00	24,792.00
Debt Service	0.00	0.00	21,847.32	0.00	21,847.32
Total Expenditures	832,716.24	459.18	21,847.32	0.00	855,022.74
Excess Revenues Over (Under) Expenditures	(38,799.63)	32.24	66.31	0.00	(38,701.08)
Other Financing Sources (Uses):					
Sale of Municipal Property	1,300.00				1,300.00
Total Other Financing Sources (Uses)	1,300.00	0.00	0.00	0.00	1,300.00
Net Change in Fund Balance	(37,499.63)	32.24	66.31	0.00	(37,401.08)
Fund Balance - Beginning	594,447.72	4,084.62	(30.16)	39,511.29	638,013.47
FUND BALANCE - ENDING	556,948.09	4,116.86	36.15	39,511.29	600,612.39

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

MUNICIPALITY OF HOWARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2015

	Enterprise Funds					Totals
	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Waste Fund	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	397,016.28	190,680.30	518,477.77	126,492.76	12,525.82	1,245,192.93
Investments	100,000.00	533,387.80	211,938.41	115,000.00		960,326.21
Total Current Assets	<u>497,016.28</u>	<u>724,068.10</u>	<u>730,416.18</u>	<u>241,492.76</u>	<u>12,525.82</u>	<u>2,205,519.14</u>
TOTAL ASSETS	<u>497,016.28</u>	<u>724,068.10</u>	<u>730,416.18</u>	<u>241,492.76</u>	<u>12,525.82</u>	<u>2,205,519.14</u>
NET POSITION:						
Unrestricted Net Position	<u>497,016.28</u>	<u>724,068.10</u>	<u>730,416.18</u>	<u>241,492.76</u>	<u>12,525.82</u>	<u>2,205,519.14</u>
TOTAL NET POSITION	<u><u>497,016.28</u></u>	<u><u>724,068.10</u></u>	<u><u>730,416.18</u></u>	<u><u>241,492.76</u></u>	<u><u>12,525.82</u></u>	<u><u>2,205,519.14</u></u>

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Enterprise Funds					Totals
	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Waste Fund	
Operating Revenue:						
Charges for Goods and Services	214,211.13	1,305,466.39	129,919.48		159,268.96	1,808,865.96
Other	225.00	10,293.54	625.00			11,143.54
Total Operating Revenue	<u>214,436.13</u>	<u>1,315,759.93</u>	<u>130,544.48</u>	<u>0.00</u>	<u>159,268.96</u>	<u>1,820,009.50</u>
Operating Expenses:						
Personal Services	24,465.42	85,012.14	8,428.24			117,905.80
Other Current Expense	56,699.11	207,819.13	55,586.05	29,989.06	169,126.71	519,220.06
Capital Assets	26,326.00	22,873.80	20,098.97			69,298.77
Materials (Cost of Goods Sold)	101,919.60	895,563.90				997,483.50
Total Operating Expenses	<u>209,410.13</u>	<u>1,211,268.97</u>	<u>84,113.26</u>	<u>29,989.06</u>	<u>169,126.71</u>	<u>1,703,908.13</u>
Operating Income (Loss)	<u>5,026.00</u>	<u>104,490.96</u>	<u>46,431.22</u>	<u>(29,989.06)</u>	<u>(9,857.75)</u>	<u>116,101.37</u>
Non-operating Revenue (Expenses):						
Operating Grants				26,727.05		26,727.05
Investment Earnings	991.50	1,546.44	1,705.18	630.41	37.30	4,910.83
Rental		100.00	7,350.00	14,599.58		22,049.58
Total Non-operating Revenue (Expense)	<u>991.50</u>	<u>1,646.44</u>	<u>9,055.18</u>	<u>41,957.04</u>	<u>37.30</u>	<u>53,687.46</u>
Change in Net Position	<u>6,017.50</u>	<u>106,137.40</u>	<u>55,486.40</u>	<u>11,967.98</u>	<u>(9,820.45)</u>	<u>169,788.83</u>
Net Position - Beginning	490,998.78	617,930.70	674,929.78	229,524.78	22,346.27	2,035,730.31
NET POSITION - ENDING	<u>497,016.28</u>	<u>724,068.10</u>	<u>730,416.18</u>	<u>241,492.76</u>	<u>12,525.82</u>	<u>2,205,519.14</u>

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

MUNICIPALITY OF HOWARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2014

	Primary Government		Total	Component Units (Unaudited)
	Governmental Activities	Business-Type Activities		
ASSETS:				
Cash and Cash Equivalents	598,339.68	1,075,404.10	1,673,743.78	354,460.15
Investments	39,673.79	960,326.21	1,000,000.00	75,572.14
TOTAL ASSETS	638,013.47	2,035,730.31	2,673,743.78	430,032.29
NET POSITION:				
Restricted for:				
Permanently Restricted Purposes:				
Non-Expendable	39,511.29		39,511.29	
Library Fines	4,084.62		4,084.62	
Unrestricted	594,417.56	2,035,730.31	2,630,147.87	430,032.29
TOTAL NET POSITION	638,013.47	2,035,730.31	2,673,743.78	430,032.29

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

MUNICIPALITY OF HOWARD
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units (Unaudited)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	131,426.44	11,483.40			(119,943.04)		(119,943.04)	
Public Safety	147,771.29	16,679.39		6,813.17	(124,278.73)		(124,278.73)	
Public Works	122,082.89	480.00	53,687.49	4,528.34	(63,387.06)		(63,387.06)	
Health and Welfare	2,880.05	335.00	4,185.75		1,640.70		1,640.70	
Culture and Recreation	168,345.25	11,562.92			(156,782.33)		(156,782.33)	
Conservation and Development	1,666.66				(1,666.66)		(1,666.66)	
*Interest on Long-Term Debt	21,847.32				(21,847.32)		(21,847.32)	
Total Governmental Activities	596,019.90	40,540.71	57,873.24	11,341.51	(486,264.44)		(486,264.44)	
Business-type Activities:								
Water	208,093.86	217,005.77				8,911.91	8,911.91	
Electric	1,367,520.50	1,343,458.23				(24,062.27)	(24,062.27)	
Sewer	75,092.20	152,017.35	1,596.11			78,521.26	78,521.26	
Airport	26,009.98	14,943.80	21,238.56			10,172.38	10,172.38	
Waste	148,881.16	151,561.32				2,680.16	2,680.16	
Total Business-Type Activities	1,825,597.70	1,878,986.47	22,834.67	0.00		76,223.44	76,223.44	
Total Primary Government	2,421,617.60	1,919,527.18	80,707.91	11,341.51	(486,264.44)	76,223.44	(410,041.00)	
Component Units (Unaudited):								
Housing and Redevelopment Commission	105,555.16	48,553.61	80,588.30					23,586.75
General Revenues:								
Taxes:								
Property Taxes					287,865.71		287,865.71	
Sales Taxes					401,989.61		401,989.61	
State Shared Revenues					8,271.05		8,271.05	
Grants and Contributions not Restricted to Specific Programs					1,155.00		1,155.00	
Unrestricted Investment Earnings					993.42	4,401.54	5,394.96	1,353.41
Miscellaneous Revenue					12,584.99		12,584.99	1,250.03
Total General Revenues					712,859.78	4,401.54	717,261.32	2,603.44
Change in Net Position					226,595.34	80,624.98	307,220.32	26,190.19
Net Position - Beginning					411,418.13	1,955,105.33	2,366,523.46	403,842.10
NET POSITION - ENDING					638,013.47	2,035,730.31	2,673,743.78	430,032.29

* 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 HOWARD
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014**

	General Fund	Library Fines Fund	Carmen Meadows Debt Service Fund	Cemetery Care Fund	Total
ASSETS:					
Cash and Cash Equivalents	594,255.06	4,084.62			598,339.68
Investments	162.50			39,511.29	39,673.79
Due From TIF Debt Service	30.16				30.16
TOTAL ASSETS	<u>594,447.72</u>	<u>4,084.62</u>	<u>0.00</u>	<u>39,511.29</u>	<u>638,043.63</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Due to General Fund			30.16		30.16
Total Liabilities	<u>0.00</u>	<u>0.00</u>	<u>30.16</u>	<u>0.00</u>	<u>30.16</u>
Fund Balances:					
Nonspendable				39,511.29	39,511.29
Restricted for Library Fines		4,084.62			4,084.62
Committed for Rescue Pumper	60,000.00				60,000.00
Assigned for Next Year's Budget	162,528.00				162,528.00
Unassigned	371,919.72		(30.16)		371,889.56
Total Fund Balances	<u>594,447.72</u>	<u>4,084.62</u>	<u>(30.16)</u>	<u>39,511.29</u>	<u>638,013.47</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>594,447.72</u>	<u>4,084.62</u>	<u>0.00</u>	<u>39,511.29</u>	<u>638,043.63</u>

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Revenues:					
Taxes:					
General Property Taxes	270,780.80		15,849.26		286,630.06
General Sales and Use Taxes	401,989.61				401,989.61
Amusement Taxes	72.00				72.00
Penalties & Interest on Delinquent Taxes	1,163.65				1,163.65
Total Taxes	674,006.06	0.00	15,849.26	0.00	689,855.32
Licenses and Permits	7,525.00	0.00	0.00	0.00	7,525.00
Intergovernmental Revenue:					
Federal Payments in Lieu of Taxes	946.39				946.39
State Shared Revenue:					
Bank Franchise Tax	866.16				866.16
Motor Vehicle Commercial Prorate	3,785.16				3,785.16
Liquor Tax Reversion	7,404.89				7,404.89
Motor Vehicle Licenses	10,589.80				10,589.80
Local Government Highway and Bridge Fund	29,257.27				29,257.27
County Shared Revenue:					
County Road Tax	4,087.36				4,087.36
Other Intergovernmental Revenues	4,185.75				4,185.75
Total Intergovernmental Revenue	61,122.78	0.00	0.00	0.00	61,122.78
Charges for Goods and Services:					
General Government	1,060.25				1,060.25
Public Safety	16,679.39				16,679.39
Health	335.00				335.00
Culture and Recreation	10,883.15				10,883.15
Cemetery	480.00				480.00
Total Charges for Goods and Services	29,437.79	0.00	0.00	0.00	29,437.79

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Revenues (Continued):					
Fines and Forfeits:					
Library		679.77			679.77
Total Fines and Forfeits	0.00	679.77	0.00	0.00	679.77
Miscellaneous Revenue:					
Investment Earnings	993.42				993.42
Rentals	2,898.15				2,898.15
Special Assessments	4,528.34				4,528.34
Contributions and Donations from Private Sources	7,968.17		5,967.90		13,936.07
Other	4,731.06				4,731.06
Total Miscellaneous Revenue	21,119.14	0.00	5,967.90	0.00	27,087.04
Total Revenue	793,210.77	679.77	21,817.16	0.00	815,707.70
Expenditures:					
General Government:					
Executive	25,907.98				25,907.98
Financial Administration	97,541.63				97,541.63
Other	7,976.83				7,976.83
Total General Government	131,426.44	0.00	0.00	0.00	131,426.44
Public Safety:					
Police	108,723.56				108,723.56
Fire	39,047.73				39,047.73
Total Public Safety	147,771.29	0.00	0.00	0.00	147,771.29
Public Works:					
Highways and Streets	110,132.35				110,132.35
Rubble Site	5,499.55				5,499.55
Cemeteries	6,450.99				6,450.99
Total Public Works	122,082.89	0.00	0.00	0.00	122,082.89

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Library Fines Fund	Carmon Meadows Debt Service Fund	Cemetery Care Fund	Total
Expenditures (Continued):					
Health and Welfare:					
Health	2,880.05				2,880.05
Total Health and Welfare	2,880.05	0.00	0.00	0.00	2,880.05
Culture and Recreation:					
Recreation	97,492.65				97,492.65
Parks	33,072.93				33,072.93
Libraries	36,917.17	862.50			37,779.67
Total Culture and Recreation	167,482.75	862.50	0.00	0.00	168,345.25
Conservation and Development:					
Economic Opportunity and Assistance (Industrial Development)	1,666.66	0.00	0.00	0.00	1,666.66
Debt Service	0.00	0.00	21,847.32	0.00	21,847.32
Total Expenditures	573,310.08	862.50	21,847.32	0.00	596,019.90
Excess Revenues Over (Under) Expenditures	219,900.69	(182.73)	(30.16)	0.00	219,687.80
Other Financing Sources (Uses):					
Sale of Municipal Property	2,650.00				2,650.00
Compensation for Loss or Damage to Capital Assets	4,257.54				4,257.54
Total Other Financing Sources (Uses)	6,907.54	0.00	0.00	0.00	6,907.54
Net Change in Fund Balance	226,808.23	(182.73)	(30.16)	0.00	226,595.34
Fund Balance - Beginning	367,639.49	4,267.35	0.00	39,511.29	411,418.13
FUND BALANCE - ENDING	594,447.72	4,084.62	(30.16)	39,511.29	638,013.47

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

MUNICIPALITY OF HOWARD
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2014

	Enterprise Funds					Totals
	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Waste Fund	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	390,988.78	84,542.90	462,991.37	114,524.78	22,346.27	1,075,394.10
Investments	100,000.00	533,387.80	211,938.41	115,000.00		960,326.21
Total Current Assets	<u>490,988.78</u>	<u>617,930.70</u>	<u>674,929.78</u>	<u>229,524.78</u>	<u>22,346.27</u>	<u>2,035,720.31</u>
TOTAL ASSETS	<u>490,988.78</u>	<u>617,930.70</u>	<u>674,929.78</u>	<u>229,524.78</u>	<u>22,346.27</u>	<u>2,035,720.31</u>
NET POSITION:						
Unrestricted Net Position	<u>490,998.78</u>	<u>617,930.70</u>	<u>674,929.78</u>	<u>229,524.78</u>	<u>22,346.27</u>	<u>2,035,730.31</u>
TOTAL NET POSITION	<u><u>490,998.78</u></u>	<u><u>617,930.70</u></u>	<u><u>674,929.78</u></u>	<u><u>229,524.78</u></u>	<u><u>22,346.27</u></u>	<u><u>2,035,730.31</u></u>

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

MUNICIPALITY OF HOWARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Funds					Totals
	Water Fund	Electric Fund	Sewer Fund	Airport Fund	Solid Waste Fund	
Operating Revenue:						
Charges for Goods and Services	214,385.77	1,331,762.41	142,870.35		151,561.32	1,840,579.85
Other	2,620.00	9,420.82	1,797.00			13,837.82
Total Operating Revenue	<u>217,005.77</u>	<u>1,341,183.23</u>	<u>144,667.35</u>	<u>0.00</u>	<u>151,561.32</u>	<u>1,854,417.67</u>
Operating Expenses:						
Personal Services	47,208.72	79,668.18	15,549.33			142,426.23
Other Current Expense	61,020.14	153,288.64	59,542.87	26,009.98	148,881.16	448,742.79
Capital Assets		178,769.30				178,769.30
Materials (Cost of Goods Sold)	99,865.00	955,794.38				1,055,659.38
Total Operating Expenses	<u>208,093.86</u>	<u>1,367,520.50</u>	<u>75,092.20</u>	<u>26,009.98</u>	<u>148,881.16</u>	<u>1,825,597.70</u>
Operating Income (Loss)	<u>8,911.91</u>	<u>(26,337.27)</u>	<u>69,575.15</u>	<u>(26,009.98)</u>	<u>2,680.16</u>	<u>28,819.97</u>
Non-operating Revenue (Expenses):						
Operating Grants			1,596.11	21,238.56		22,834.67
Investment Earnings	944.13	1,372.62	1,492.45	552.18	40.16	4,401.54
Rental		275.00	7,350.00	14,943.80		22,568.80
Gain on Disposition of Assets		2,000.00				2,000.00
Total Non-operating Revenue (Expense)	<u>944.13</u>	<u>3,647.62</u>	<u>10,438.56</u>	<u>36,734.54</u>	<u>40.16</u>	<u>51,805.01</u>
Change in Net Position	<u>9,856.04</u>	<u>(22,689.65)</u>	<u>80,013.71</u>	<u>10,724.56</u>	<u>2,720.32</u>	<u>80,624.98</u>
Net Position - Beginning	481,142.74	640,620.35	594,916.07	218,800.22	19,625.95	1,955,105.33
NET POSITION - ENDING	<u>490,998.78</u>	<u>617,930.70</u>	<u>674,929.78</u>	<u>229,524.78</u>	<u>22,346.27</u>	<u>2,035,730.31</u>

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of the Municipality of Howard (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 Howard, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Municipality's Governing Board Chairperson 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 Municipality's Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the Municipality's Governing Board the ability to impose its will on the Commission. The financial statements of the Howard Housing and Redevelopment Commission, a discretely presented component unit of the Municipality of Howard, have not been audited; however, the component unit's unaudited financial information is included in the financial statements of the Municipality. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Howard Housing and Redevelopment Commission, 117 North Arthur Street, Howard, South Dakota 57349.

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 certain

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.

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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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) that are legally restricted to expenditures for specified purposes.

Library Fines Fund – to account for fines and similar charges, deposited in a library board bank account subject to checks by the librarian for library purposes. (SDCL 14-2-42) The Municipality has elected to report this fund as a major fund.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Carmon Meadows Debt Service Fund – to account for the tax levy which may be used only for the payment of the debt principal, interest, and related costs of the Carmon Meadows Housing Development (TIF District). The Municipality has elected to report this fund as a major fund.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's programs – that is for the benefit of the Municipality and its citizenry.

Cemetery Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the 75% of the investment earnings may be used for care and maintenance of the cemetery. The remaining balance may be used for land acquisition for cemetery expansion. The Municipality has elected to report this fund as a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of that 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 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.

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

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.

Airport Fund – financed primarily by a share of crops produced on the airport land, this fund accounts for the acquisition, construction and operation of the municipal airport. (SDCL 50-7-2) This is a major fund.

Solid Waste Fund – financed primarily by user charges, this fund accounts for the collection and disposal of solid waste from the municipality. (SDCL 9-32-11 and 34A-6) This is a major fund.

c. Measurement Focus and Basis of Accounting:

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

The Municipality uses the modified cash basis of accounting, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

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

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

Basis of Accounting:

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

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

1. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.
2. Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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

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

d. 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:

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

e. Deposits and Investments:

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

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

f. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as disbursements. The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

g. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, as applicable.

h. Program Revenues:

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

i. Proprietary Funds Revenue and Expense Classifications:

Proprietary funds distinguish operating revenues and expenses from non-operating items. The Municipality has five proprietary (enterprise) funds to account for the Municipality's water, electric, sewer, airport, and waste services. Operating revenues and expenses generally result from providing services in connection with the fund's principal operations.

The Municipality prepares the Statement of Revenues, Expenses and Changes in Fund Net Position on a modified cash basis of accounting. Thus the Municipality does not present a Statement of Cash Flows because all cash flow information is, in substance, already presented in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

j. Equity Classifications:

Government-wide Statements:

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

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

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 assets 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.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as Cemetery Care Fund.

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

<u>Fund Balance Type</u>	<u>2014 Amount</u>	<u>2015 Amount</u>	<u>Action</u>
Committed for Rescue Pumper	\$60,000.00	\$90,000.00	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 for unrestricted fund balance when expenditures are made.

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Library Fund	Library Fines

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	<u>Year Ended</u> <u>12/31/2014</u>	<u>Year Ended</u> <u>12/31/2015</u>
General Fund:		
Executive	\$ 87.98	
General Government - Other		\$ 421.80
Police	\$ 23.56	
Highways and Streets		\$ 3,568.84
Health		\$ 210.50
Library Fines Fund:		
Libraries	\$ 262.50	

The Governing Board plans to take the following actions to address these violations: use supplemental budgets when allowed by law.

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 Municipality funds to be invested 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.

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 investment. The Municipality's policy is to credit all income from investments to the fund making the investment, except for interest generated by the Cemetery Perpetual Care Fund, which must be credited to the General Fund, and used only for maintenance of the municipal cemetery, as required by SDCL 9-32-18.

4. PROPERTY TAXES

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

5. RESTRICTED NET POSITION

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

	<u>2015</u>	<u>2014</u>
Major Purposes:		
Library Fines Purposes	\$ 4,116.86	\$ 4,084.62
Debt Service Purposes	36.15	
Permanently Restricted:		
Cemetery Care - Non-Expendable Purposes	<u>39,511.29</u>	<u>39,511.29</u>
Total Restricted Net Position	<u>\$ 43,664.30</u>	<u>\$ 43,595.91</u>

These balances are restricted due to statutory requirements.

6. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 30.16	
Carmon Meadows Debt Service Fund		\$30.16

The purpose for the interfund receivable and payable balances is to supplement deficits cash balances at year end. The Municipality expects all interfund receivables and payables to be paid within one year.

7. RETIREMENT PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$11,156.91, \$9,974.98, and \$7,262.17, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of June 30, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 1,042,705.06
Less proportionate share of total pension liability	<u>\$ 1,001,667.65</u>
Proportionate share of net pension liability (asset)	<u>\$ (41,037.41)</u>

The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was 0.0096757%, which is a decrease of 0.000577% from its proportion measured as of June 30, 2014.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions:

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25 percent through 2016 and 7.50 percent thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality’s proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Municipality’s

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$103,290.70	\$(41,037.41)	\$(158,724.55)

Pension Plan Fiduciary Net Position:

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

8. SIGNIFICANT CONTINGENCIES - LITIGATION

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

9. COOPERATIVE AGREEMENT

The Municipality is involved in a cooperative agreement with Miner County concerning law enforcement. The Municipality pays Miner County to provide law enforcement coverage for the Municipality.

The Municipality is involved in a cooperative agreement with the Miner County Rural Fire Protection District to provide fire protection. The Municipality and the Rural Fire Protection District will each pay 50% of costs to provide fire protection. The Municipality will pay the fire costs and be reimbursed for 50% by the Fire District.

10. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

The Municipality 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 on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the member based on their exposure or type of coverage.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

The Municipality pays an annual premium to the pool to provide coverage for:

	<u>Deductible</u>
Real and Personal Property	\$ 1,000
Vehicles	\$ 250/500
Miscellaneous Property	\$ 1,000
Electronic Data Processing Equipment	\$ 1,000
Boiler and Equipment	\$ 1,500

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

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

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$22,647.48.

The Municipality carries various deductibles as listed above.

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 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 not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	270,000.00	270,000.00	261,200.46	(8,799.54)
General Sales and Use Taxes	400,000.00	400,000.00	415,682.40	15,682.40
Amusement Taxes	75.00	75.00	120.00	45.00
Penalties and Interest on Delinquent Taxes	850.00	850.00	586.07	(263.93)
Total Taxes	670,925.00	670,925.00	677,588.93	6,663.93
Licenses and Permits	7,750.00	7,750.00	7,090.00	(660.00)
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	1,000.00	1,000.00	1,295.75	295.75
State Grants	19,500.00	19,500.00	1,819.00	(17,681.00)
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	773.18	(426.82)
Prorate License Fees	3,000.00	3,000.00	3,773.80	773.80
Liquor Tax Reversion	6,800.00	6,800.00	5,335.32	(1,464.68)
Motor Vehicle Licenses	7,000.00	7,000.00	11,714.28	4,714.28
Local Government Highway and Bridge Fund	25,000.00	25,000.00	29,716.96	4,716.96
County Shared Revenue:				
County Road Tax	4,100.00	4,100.00	4,087.36	(12.64)
Other	4,100.00	4,100.00	0.00	(4,100.00)
Total Intergovernmental Revenue	71,700.00	71,700.00	58,515.65	(13,184.35)
Charges for Goods and Services:				
General Government	2,000.00	2,000.00	1,680.56	(319.44)
Public Safety	20,500.00	20,500.00	1,348.68	(19,151.32)
Health	350.00	350.00	400.00	50.00
Culture and Recreation	13,000.00	13,000.00	12,385.65	(614.35)
Cemetery	800.00	800.00	600.00	(200.00)
Total Charges for Goods and Services	36,650.00	36,650.00	16,414.89	(20,235.11)
Fines and Forfeits:				
Court Fines and Costs	25.00	25.00	0.00	(25.00)
Total Fines and Forfeits	25.00	25.00	0.00	(25.00)
Miscellaneous Revenue:				
Investment Earnings	800.00	800.00	1,261.91	461.91
Rentals	6,000.00	6,000.00	5,760.44	(239.56)
Special Assessments	3,000.00	3,000.00	21,087.37	18,087.37
Contributions and Donations from Private Sources	1,000.00	1,000.00	0.00	(1,000.00)
Other	7,150.00	7,150.00	6,197.42	(952.58)
Total Miscellaneous Revenue	17,950.00	17,950.00	34,307.14	16,357.14
Total Revenue	805,000.00	805,000.00	793,916.61	(11,083.39)

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Contingency	50,000.00	50,000.00		
Amount Transferred		(31,550.00)		18,450.00
Executive	26,870.00	26,870.00	23,986.47	2,883.53
Financial Administration	96,165.00	96,165.00	80,081.90	16,083.10
Other	10,550.00	10,550.00	10,971.80	(421.80)
Total General Government	183,585.00	152,035.00	115,040.17	36,994.83
Public Safety:				
Police	118,480.00	118,480.00	117,482.31	997.69
Fire	47,410.00	47,410.00	36,597.55	10,812.45
Total Public Safety	165,890.00	165,890.00	154,079.86	11,810.14
Public Works:				
Highways and Streets	368,999.00	395,999.00	399,567.84	(3,568.84)
Rubble Site	5,388.00	6,938.00	6,345.98	592.02
Cemeteries	5,091.00	5,091.00	3,560.89	1,530.11
Total Public Works	379,478.00	408,028.00	409,474.71	(1,446.71)
Health and Welfare:				
Health	4,405.00	4,405.00	4,615.50	(210.50)
Total Health and Welfare	4,405.00	4,405.00	4,615.50	(210.50)
Culture and Recreation:				
Recreation	95,505.00	98,505.00	77,778.99	20,726.01
Parks	37,167.00	37,167.00	17,526.94	19,640.06
Libraries	41,498.00	41,498.00	29,408.07	12,089.93
Total Culture and Recreation	174,170.00	177,170.00	124,714.00	52,456.00
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	30,000.00	30,000.00	24,792.00	5,208.00
Total Conservation and Development	30,000.00	30,000.00	24,792.00	5,208.00
Total Expenditures	937,528.00	937,528.00	832,716.24	104,811.76
Excess of Revenues Over (Under) Expenditures	(132,528.00)	(132,528.00)	(38,799.63)	93,728.37
Other Financing Sources (Uses):				
Sale of Municipal Property	5,000.00	5,000.00	1,300.00	(3,700.00)
Total Other Financing Sources (Uses)	5,000.00	5,000.00	1,300.00	(3,700.00)
Net Change in Fund Balances	(127,528.00)	(127,528.00)	(37,499.63)	90,028.37
Fund Balance - Beginning	594,447.72	594,447.72	594,447.72	0.00
FUND BALANCE - ENDING	466,919.72	466,919.72	556,948.09	90,028.37

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HOWARD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIBRARY FINES FUND
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeits:				
Library	300.00	300.00	491.42	191.42
Total Fines and Forfeits	300.00	300.00	491.42	191.42
Total Revenue	300.00	300.00	491.42	191.42
Expenditures:				
Culture and Recreation:				
Libraries	600.00	600.00	459.18	140.82
Total Culture and Recreation	600.00	600.00	459.18	140.82
Total Expenditures	600.00	600.00	459.18	140.82
Net Change in Fund Balances	(300.00)	(300.00)	32.24	332.24
Fund Balance - Beginning	4,084.62	4,084.62	4,084.62	0.00
FUND BALANCE - ENDING	3,784.62	3,784.62	4,116.86	332.24

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	255,000.00	255,000.00	270,780.80	15,780.80
General Sales and Use Taxes	430,000.00	430,000.00	401,989.61	(28,010.39)
Amusement Taxes	75.00	75.00	72.00	(3.00)
Penalties and Interest on Delinquent Taxes	850.00	850.00	1,163.65	313.65
Total Taxes	685,925.00	685,925.00	674,006.06	(11,918.94)
Licenses and Permits	7,850.00	7,850.00	7,525.00	(325.00)
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	1,000.00	1,000.00	946.39	(53.61)
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	866.16	(333.84)
Motor Vehicle Commercial Prorate	3,000.00	3,000.00	3,785.16	785.16
Liquor Tax Reversion	6,600.00	6,600.00	7,404.89	804.89
Motor Vehicle Licenses	6,000.00	6,000.00	10,589.80	4,589.80
Local Government Highway and Bridge Fund	20,000.00	20,000.00	29,257.27	9,257.27
County Shared Revenue:				
County Road Tax	4,100.00	4,100.00	4,087.36	(12.64)
Other Intergovernmental Revenues	6,700.00	6,700.00	4,185.75	(2,514.25)
Total Intergovernmental Revenue	48,600.00	48,600.00	61,122.78	12,522.78
Charges for Goods and Services:				
General Government	2,000.00	2,000.00	1,060.25	(939.75)
Public Safety	20,250.00	20,250.00	16,679.39	(3,570.61)
Health	350.00	350.00	335.00	(15.00)
Culture and Recreation	14,000.00	14,000.00	10,883.15	(3,116.85)
Cemetery	1,000.00	1,000.00	480.00	(520.00)
Total Charges for Goods and Services	37,600.00	37,600.00	29,437.79	(8,162.21)
Fines and Forfeits:				
Court Fines and Costs	25.00	25.00	0.00	(25.00)
Total Fines and Forfeits	25.00	25.00	0.00	(25.00)
Miscellaneous Revenue:				
Investment Earnings	750.00	750.00	993.42	243.42
Rentals	6,000.00	6,000.00	2,898.15	(3,101.85)
Special Assessments	1,000.00	1,000.00	4,528.34	3,528.34
Contributions and Donations from Private Sources	300.00	300.00	7,968.17	7,668.17
Other	6,700.00	6,700.00	4,731.06	(1,968.94)
Total Miscellaneous Revenue	14,750.00	14,750.00	21,119.14	6,369.14
Total Revenue	794,750.00	794,750.00	793,210.77	(1,539.23)

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Contingency	50,000.00	50,000.00		
Amount Transferred		(22,300.00)		27,700.00
Executive	25,820.00	25,820.00	25,907.98	(87.98)
Financial Administration	98,165.00	98,165.00	97,541.63	623.37
Other	11,225.00	11,225.00	7,976.83	3,248.17
Total General Government	185,210.00	162,910.00	131,426.44	31,483.56
Public Safety:				
Police	108,700.00	108,700.00	108,723.56	(23.56)
Fire	46,410.00	46,410.00	39,047.73	7,362.27
Total Public Safety	155,110.00	155,110.00	147,771.29	7,338.71
Public Works:				
Highways and Streets	251,718.00	263,718.00	110,132.35	153,585.65
Rubble Site	5,388.00	5,928.00	5,499.55	428.45
Cemeteries	6,171.00	6,671.00	6,450.99	220.01
Total Public Works	263,277.00	276,317.00	122,082.89	154,234.11
Health and Welfare:				
Health	4,405.00	4,405.00	2,880.05	1,524.95
Total Health and Welfare	4,405.00	4,405.00	2,880.05	1,524.95
Culture and Recreation:				
Recreation	89,030.00	98,290.00	97,492.65	797.35
Parks	33,820.00	33,820.00	33,072.93	747.07
Libraries	39,897.00	39,897.00	36,917.17	2,979.83
Total Culture and Recreation	162,747.00	172,007.00	167,482.75	4,524.25
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	60,000.00	60,000.00	1,666.66	58,333.34
Total Conservation and Development	60,000.00	60,000.00	1,666.66	58,333.34
Total Expenditures	830,749.00	830,749.00	573,310.08	257,438.92
Excess of Revenues Over (Under) Expenditures	(35,999.00)	(35,999.00)	219,900.69	255,899.69
Other Financing Sources (Uses):				
Sale of Municipal Property	15,000.00	15,000.00	2,650.00	(12,350.00)
Compensation for Loss or Damage to Capital Assets	0.00	0.00	4,257.54	4,257.54
Total Other Financing Sources (Uses)	15,000.00	15,000.00	6,907.54	(8,092.46)
Net Change in Fund Balances	(20,999.00)	(20,999.00)	226,808.23	247,807.23
Fund Balance - Beginning	367,639.49	367,639.49	367,639.49	0.00
FUND BALANCE - ENDING	346,640.49	346,640.49	594,447.72	247,807.23

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF HOWARD
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIBRARY FINES FUND
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeits:				
Library	300.00	300.00	679.77	379.77
Total Fines and Forfeits	300.00	300.00	679.77	379.77
Total Revenue	300.00	300.00	679.77	379.77
Expenditures:				
Culture and Recreation:				
Libraries	600.00	600.00	862.50	(262.50)
Total Culture and Recreation	600.00	600.00	862.50	(262.50)
Total Expenditures	600.00	600.00	862.50	(262.50)
Net Change in Fund Balances	(300.00)	(300.00)	(182.73)	117.27
Fund Balance - Beginning	4,267.35	4,267.35	4,267.35	0.00
FUND BALANCE - ENDING	3,967.35	3,967.35	4,084.62	117.27

NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting:

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

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund are adopted on a basis consistent with the modified cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences:

The Municipality's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/15	Due Within One Year
Primary Government:					
Governmental Activities:					
Tax Incremental Notes, Series 2007	158,220.09		29,578.81	128,641.28	15,873.23
Total Governmental Activities	<u>158,220.09</u>	<u>0.00</u>	<u>29,578.81</u>	<u>128,641.28</u>	<u>15,873.23</u>
TOTAL PRIMARY GOVERNMENT	<u>158,220.09</u>	<u>0.00</u>	<u>29,578.81</u>	<u>128,641.28</u>	<u>15,873.23</u>

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

Tax Incremental Notes, Series 2007:

 Tax Incremental Notes, Series 2007, for Improvements
 in the Carmon Meadows Housing Development;

 Matures December 1, 2022;

 Interest at 4.790%;

 Payable From Debt Service Fund

\$ 128,641.28

The annual requirements to amortize all debt outstanding as of December 31, 2015, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2015

Year Ending Dec. 31,	Tax Incremental Notes, Series 2007	
	Principal	Interest
2016	15,873.23	5,974.09
2017	16,642.67	5,204.65
2018	17,449.40	4,397.92
2019	18,295.23	3,552.12
2020	19,182.07	2,665.28
2021-2022	41,198.68	2,495.96
Totals	<u>128,641.28</u>	<u>24,290.02</u>