

**MUNICIPALITY OF HUMBOLDT  
HUMBOLDT, 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 HUMBOLDT

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2015

MAYOR:

Ritchy Griep

GOVERNING BOARD:

Adam Lund  
Theresa Muth  
Allen Schmeichel  
Heather VanZee

FINANCE OFFICER:

Amanda Siemonsma

ATTORNEY:

Patrick Glover

*Schoenfish & Co., Inc.*

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P.O. Box 247

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*Schoenfish & Co., Inc.*

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

CERTIFIED PUBLIC ACCOUNTANTS  
Phone: 605-928-7241  
FAX No.: 605-928-1441  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board  
Municipality of Humboldt  
Humboldt, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Humboldt, South Dakota (Municipality), as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 23, 2016.

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 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*, which are described in the accompanying Schedule of Current Audit Findings as item 2015-003.

#### 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 them.

#### Purpose of this Report

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



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

*Schoenfish & Co., Inc.*

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

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

Finding Number 2013-002:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This comment has not been corrected and is restated as current audit finding number 2015-002.

Finding Number 2013-003:

No budget was adopted for the 6th Avenue Special Assessment fund in 2013. Also, the budget was overspent for the Special Assessment fund in 2012. This comment has not been corrected and is restated as current audit finding number 2015-003.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related 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 seventh consecutive audit in which a similar deficiency 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 processes all revenue transactions from beginning to end. The a 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 Humboldt 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 Humboldt Mayor, Ritchy Griep, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Humboldt, 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.

Finding Number 2015-002:

A material weakness exists in internal control resulting in errors and omissions in the annual financial statements prepared by municipal officials. This is the second audit in which a similar comment has occurred.

Criteria:

Accurate and complete financial information must be presented to be useful to the users of these statements.

Condition:

Significant errors and omissions were noted in the annual financial statements. The financial statements in this report have been adjusted to take into account the errors and omissions.

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Effect:

As a result, inaccurate and incomplete information is being presented to the users of these financial statements such that there is more than remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

Recommendation:

2. We recommend future annual financial statements be completely and accurately prepared in accordance with generally accepted accounting principles.

Management's Response:

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

Compliance – Related Finding:

Finding Number 2015-003:

The budget was overspent for the Street Assessment Fund in 2015. The Special Assessment Fund and Street Assessment Fund were budgeted to spend more money than was available in 2014. This is the sixth 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."

Condition:

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

Effect:

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

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SCHEDULE OF CURRENT AUDIT FINDINGS  
(Continued)

Recommendation:

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

Management's Response:

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

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with one board member and finance officer on September 8, 2016.

*Schoenfish & Co., Inc.*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Humboldt  
Humboldt, South Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and each major fund of the Municipality of

Humboldt as of December 31, 2015, and the results of its operations and the cash flows were applicable, for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

*Adoption of New Accounting Standard.* As described in Note 14 to the financial statements, the Municipality adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 14 to the financial statements, the Municipality has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

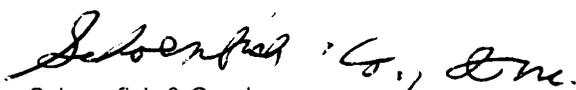
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the Municipality's Contributions, on pages 54 through 63, 65, and 66, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



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

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**MUNICIPALITY OF HUMBOLDT**  
**STATEMENT OF NET POSITION**  
**December 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	264,729.04	195,747.93	460,476.97
Investments		34,200.00	34,200.00
Accounts Receivable, Net	110,339.13	68,632.47	178,971.60
Net Pension Asset	6,813.89	10,713.63	17,527.52
Capital Assets:			
Land and Construction Work in Progress	58,500.00	106,556.60	165,056.60
Other Capital Assets, Net of Depreciation	942,144.84	1,159,185.35	2,101,330.19
<b>TOTAL ASSETS</b>	<b>1,382,526.90</b>	<b>1,575,035.98</b>	<b>2,957,562.88</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	12,314.64	19,362.62	31,677.26
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,314.64</b>	<b>19,362.62</b>	<b>31,677.26</b>
<b>LIABILITIES :</b>			
Accounts Payable	16,869.90	22,350.44	39,220.34
Other Current Liabilities		4,545.00	4,545.00
Noncurrent Liabilities:			
Due Within One Year	22,330.05	66,709.71	89,039.76
Due in More than One Year	360,496.28	654,196.92	1,014,693.20
<b>TOTAL LIABILITIES</b>	<b>399,696.23</b>	<b>747,802.07</b>	<b>1,147,498.30</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	10,054.02	15,808.19	25,862.21
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,054.02</b>	<b>15,808.19</b>	<b>25,862.21</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	619,345.61	544,835.32	1,164,180.93
Restricted for:			
Capital Projects Purposes	27,051.04		27,051.04
Debt Service Purposes	135,423.40	110,140.00	245,563.40
SDRS Pension Purposes	9,074.51	14,268.06	23,342.57
Economic Development Purposes	2,400.00		2,400.00
Park Purposes	37,458.58		37,458.58
Unrestricted (Deficit)	154,338.15	161,544.96	315,883.11
<b>TOTAL NET POSITION</b>	<b>985,091.29</b>	<b>830,788.34</b>	<b>1,815,879.63</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	109,782.98	10,499.28			(99,283.70)		(99,283.70)
Public Safety	36,479.75				(36,479.75)		(36,479.75)
Public Works	130,790.96	205.00	20,605.94	8,154.52	(101,825.50)		(101,825.50)
Health and Welfare	872.97				(872.97)		(872.97)
Culture and Recreation	39,125.26	4,302.65	2,090.00	17,988.20	(14,744.41)		(14,744.41)
Conservation and Development	4,256.42				(4,256.42)		(4,256.42)
*Interest on Long-term Debt	19,718.41				(19,718.41)		(19,718.41)
<b>Total Governmental Activities</b>	<b>341,026.75</b>	<b>15,006.93</b>	<b>22,695.94</b>	<b>26,142.72</b>	<b>(277,181.16)</b>		<b>(277,181.16)</b>
Business-type Activities:							
Water	79,174.13	78,749.14				(424.99)	(424.99)
Sewer	24,256.75	84,571.00				60,314.25	60,314.25
Natural Gas	221,544.31	247,511.65				25,967.34	25,967.34
<b>Total Business-type Activities</b>	<b>324,975.19</b>	<b>410,831.79</b>	<b>0.00</b>	<b>0.00</b>		<b>85,856.60</b>	<b>85,856.60</b>
<b>Total Primary Government</b>	<b>666,001.94</b>	<b>425,838.72</b>	<b>22,695.94</b>	<b>26,142.72</b>	<b>(277,181.16)</b>	<b>85,856.60</b>	<b>(191,324.56)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					145,618.51		145,618.51
Sales Taxes					192,923.49		192,923.49
State Shared Revenues					9,776.06		9,776.06
Unrestricted Investment Earnings					208.54	309.54	518.08
Miscellaneous Revenue					5,647.16	1,500.00	7,147.16
<b>Total General Revenues</b>					<b>354,173.76</b>	<b>1,809.54</b>	<b>355,983.30</b>
<b>Change in Net Position</b>					<b>76,992.60</b>	<b>87,666.14</b>	<b>164,658.74</b>
<b>Net Position - Beginning</b>					<b>899,949.41</b>	<b>730,308.89</b>	<b>1,630,258.30</b>
Adjustments:							
Prior Period Adjustment for GASB 68 - See Note 14.					8,149.28	12,813.31	20,962.59
<b>Adjusted Net Position-Beginning</b>					<b>908,098.69</b>	<b>743,122.20</b>	<b>1,651,220.89</b>
<b>NET POSITION - ENDING</b>					<b>985,091.29</b>	<b>830,788.34</b>	<b>1,815,879.63</b>

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

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	145,113.15	12,594.79	36,753.65	37,458.58	2,400.00	30,408.87	264,729.04
Taxes Receivable--Delinquent	6,437.24	415.72					6,852.96
Accounts Receivable, Net			132.48				132.48
Special Assessments Receivable--Current						9,214.81	9,214.81
Special Assessments Receivable--Delinquent	8,858.55					1,356.13	10,214.68
Special Assessments Receivable--Deferred						64,503.67	64,503.67
Interest Receivable--Special Assessments						17,070.55	17,070.55
Due from Other Governments	2,349.98						2,349.98
<b>TOTAL ASSETS</b>	<b>162,758.92</b>	<b>13,010.51</b>	<b>36,886.13</b>	<b>37,458.58</b>	<b>2,400.00</b>	<b>122,554.03</b>	<b>375,068.17</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	7,034.81		9,835.09				16,869.90
<b>Total Liabilities</b>	<b>7,034.81</b>	<b>0.00</b>	<b>9,835.09</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>16,869.90</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable Revenue--Property Taxes	6,437.24	415.72					6,852.96
Unavailable Revenue--Special Assessments	8,858.55					92,145.16	101,003.71
<b>Total Deferred Inflows of Resources</b>	<b>15,295.79</b>	<b>415.72</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>92,145.16</b>	<b>107,856.67</b>
<b>Fund Balances:</b>							
Restricted for Capital Projects			27,051.04				27,051.04
Restricted for Debt Service		12,594.79				30,408.87	43,003.66
Restricted for Parks Purposes				37,458.58			37,458.58
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,972.80						1,972.80
Unassigned	138,455.52						138,455.52
<b>Total Fund Balances</b>	<b>140,428.32</b>	<b>12,594.79</b>	<b>27,051.04</b>	<b>37,458.58</b>	<b>2,400.00</b>	<b>30,408.87</b>	<b>250,341.60</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>162,758.92</b>	<b>13,010.51</b>	<b>36,886.13</b>	<b>37,458.58</b>	<b>2,400.00</b>	<b>122,554.03</b>	<b>375,068.17</b>

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

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

Total Fund Balances - Governmental Funds	<u>250,341.60</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>6,813.89</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,000,644.84</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>12,314.64</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(382,826.33)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>107,856.67</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(10,054.02)</u>
Net Position - Governmental Activities	<u><u>985,091.29</u></u>

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

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

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Street Assessment Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	<u>6th Avenue Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>							
Taxes:							
General Property Taxes	132,490.23	10,391.96					142,882.19
General Sales and Use Taxes	179,176.30			13,747.19			192,923.49
Amusement Taxes	312.00						312.00
Taxe Deed Revenue	606.26						606.26
Penalties and Interest on Delinquent Taxes	511.67	182.57					694.24
Licenses and Permits	8,072.88						8,072.88
Intergovernmental Revenue:							
State Grants	1,500.00						1,500.00
State Shared Revenue:							
Bank Franchise Tax	6,113.47						6,113.47
Liquor Tax Reversion	3,662.59						3,662.59
Motor Vehicle Licenses	6,290.13						6,290.13
Local Government Highway and Bridge Fund	12,314.82						12,314.82
County Shared Revenue:							
County Wheel Tax	1,297.60						1,297.60
Other Intergovernmental Revenues	703.39						703.39
Charges for Goods and Services:							
General Government	2,426.40						2,426.40
Sanitation	205.00						205.00
Culture and Recreation	52.65						52.65
Miscellaneous Revenue:							
Investment Earnings	208.54						208.54
Rentals	4,250.00						4,250.00
Special Assessments						16,309.79	16,309.79
Contributions and Donations from Private Sources	18,578.20						18,578.20
Other	5,312.16						5,312.16
<b>Total Revenue</b>	<b>384,084.29</b>	<b>10,574.53</b>	<b>0.00</b>	<b>13,747.19</b>	<b>0.00</b>	<b>16,309.79</b>	<b>424,715.80</b>

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

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

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Street Assessment Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	<u>6th Avenue Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>							
General Government:							
Legislative	16,145.28						16,145.28
Elections	25.49						25.49
Financial Administration	50,919.42						50,919.42
Other	38,656.74						38,656.74
Total General Government	105,746.93	0.00	0.00	0.00	0.00	0.00	105,746.93
Public Safety:							
Police	19,327.89						19,327.89
Fire	16,808.53						16,808.53
Total Public Safety	36,136.42	0.00	0.00	0.00	0.00	0.00	36,136.42
Public Works:							
Highways and Streets	76,093.55		23,549.85				99,643.40
Sanitation	2,439.57						2,439.57
Natural Gas	688.96						688.96
Total Public Works	79,222.08	0.00	23,549.85	0.00	0.00	0.00	102,771.93
Health and Welfare:							
Humane Society	872.97						872.97
Total Health and Welfare	872.97	0.00	0.00	0.00	0.00	0.00	872.97
Culture and Recreation:							
Recreation	6,475.70						6,475.70
Parks	18,648.21						18,648.21
Total Culture and Recreation	25,123.91	0.00	0.00	0.00	0.00	0.00	25,123.91
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	4,256.42						4,256.42
Total Conservation and Development	4,256.42	0.00	0.00	0.00	0.00	0.00	4,256.42
Debt Service	44,025.82	0.00	0.00	0.00	0.00	4,095.00	48,120.82
Capital Outlay	30,218.60	0.00	0.00	0.00	0.00	0.00	30,218.60
Total Expenditures	325,603.15	0.00	23,549.85	0.00	0.00	4,095.00	353,248.00

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

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

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Street Assessment Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	<u>6th Avenue Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess of Revenue Over (Under) Expenditures	58,481.14	10,574.53	(23,549.85)	13,747.19	0.00	12,214.79	71,467.80
<b>Other Financing Sources (Uses):</b>							
Compensation for Loss or Damage to Capital Assets	335.00						335.00
Total Other Financing Sources (Uses)	335.00	0.00	0.00	0.00	0.00	0.00	335.00
Net Change in Fund Balances	58,816.14	10,574.53	(23,549.85)	13,747.19	0.00	12,214.79	71,802.80
Fund Balance - Beginning	81,612.18	2,020.26	50,600.89	23,711.39	2,400.00	18,194.08	178,538.80
<b>FUND BALANCE - ENDING</b>	<u>140,428.32</u>	<u>12,594.79</u>	<u>27,051.04</u>	<u>37,458.58</u>	<u>2,400.00</u>	<u>30,408.87</u>	<u>250,341.60</u>

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

**MUNICIPALITY OF HUMBOLDT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

Net Change in Fund Balances - Total Governmental Funds	<u>71,802.80</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>30,218.60</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(48,026.07)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>28,402.41</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,123.82</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>(8,155.27)</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>701.08</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>925.23</u>
Change in Net Position of Governmental Activities	<u><u>76,992.60</u></u>

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

**MUNICIPALITY OF HUMBOLDT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2015**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	38,418.37	157,329.56		195,747.93
Investments	34,200.00			34,200.00
Accounts Receivable, Net	8,088.42	10,394.09	50,149.96	68,632.47
Due from Natural Gas Fund		5,997.13		5,997.13
Total Current Assets	80,706.79	173,720.78	50,149.96	304,577.53
Noncurrent Assets:				
Net Pension Asset	3,894.40	3,894.40	2,924.83	10,713.63
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	865,396.32	216,191.51	699,689.43	1,781,277.26
Machinery and Equipment	35,380.37	33,534.38	14,877.81	83,792.56
Construction Work in Progress		44,306.60		44,306.60
Less: Accumulated Depreciation	(302,584.97)	(156,845.74)	(246,453.76)	(705,884.47)
Total Noncurrent Assets	604,336.12	201,081.15	471,038.31	1,276,455.58
<b>TOTAL ASSETS</b>	<b>685,042.91</b>	<b>374,801.93</b>	<b>521,188.27</b>	<b>1,581,033.11</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	7,038.30	7,038.30	5,286.02	19,362.62
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,038.30</b>	<b>7,038.30</b>	<b>5,286.02</b>	<b>19,362.62</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	2,069.66	86.21	20,194.57	22,350.44
Due to Sewer Fund			5,997.13	5,997.13
Customer Deposits	4,545.00			4,545.00
Bonds Payable Current:				
Revenue	16,709.71		50,000.00	66,709.71
Total Current Liabilities	23,324.37	86.21	76,191.70	99,602.28
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	314,196.92		340,000.00	654,196.92
Total Noncurrent Liabilities	314,196.92	0.00	340,000.00	654,196.92
<b>TOTAL LIABILITIES</b>	<b>337,521.29</b>	<b>86.21</b>	<b>416,191.70</b>	<b>753,799.20</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Deferred Inflows	5,746.27	5,746.27	4,315.65	15,808.19
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,746.27</b>	<b>5,746.27</b>	<b>4,315.65</b>	<b>15,808.19</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	269,535.09	197,186.75	78,113.48	544,835.32
Restricted For:				
Revenue Bond Debt Service	36,140.00		74,000.00	110,140.00
Equipment Repair and/or Replacement	6,000.00	6,000.00		12,000.00
SDRS Pension Purposes	5,186.43	5,186.43	3,895.20	14,268.06
Unrestricted Net Position	31,952.13	167,634.57	(50,041.74)	149,544.96
<b>TOTAL NET POSITION</b>	<b>348,813.65</b>	<b>376,007.75</b>	<b>105,966.94</b>	<b>830,788.34</b>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>Operating Revenue:</b>				
Charges for Goods and Services	78,749.14	84,571.00	247,511.65	410,831.79
Total Operating Revenue	78,749.14	84,571.00	247,511.65	410,831.79
<b>Operating Expenses:</b>				
Personal Services	11,813.20	11,036.20	35,093.96	57,943.36
Other Current Expense	6,807.18	3,965.46	55,087.01	65,859.65
Materials (Cost of Goods Sold)	26,891.60		102,761.36	129,652.96
Depreciation	19,558.28	9,255.09	13,966.98	42,780.35
Total Operating Expenses	65,070.26	24,256.75	206,909.31	296,236.32
Operating Income (Loss)	13,678.88	60,314.25	40,602.34	114,595.47
<b>Nonoperating Revenue (Expense):</b>				
Investment Earnings	307.80		1.74	309.54
Rental Revenue	1,500.00			1,500.00
Interest Expense	(14,103.87)		(14,635.00)	(28,738.87)
Total Nonoperating Revenue (Expense)	(12,296.07)	0.00	(14,633.26)	(26,929.33)
Change in Net Position	1,382.81	60,314.25	25,969.08	87,666.14
Net Position - Beginning	342,773.21	311,035.87	76,499.81	730,308.89
Adjustments:				
GASB 68 Implementation - See Note 14.	4,657.63	4,657.63	3,498.05	12,813.31
Adjusted Net Position - Beginning	347,430.84	315,693.50	79,997.86	743,122.20
NET POSITION - ENDING	348,813.65	376,007.75	105,966.94	830,788.34

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Receipts from Customers	79,668.81	82,843.55	246,364.80	408,877.16
Cash Payments to Employees for Services	(12,342.00)	(11,565.00)	(35,491.11)	(59,398.11)
Cash Payments to Suppliers of Goods and Services	(33,402.44)	(4,006.75)	(164,313.73)	(201,722.92)
Net Cash Provided (Used) by Operating Activities	33,924.37	67,271.80	46,559.96	147,756.13
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund Loans		(5,997.13)	5,997.13	0.00
Net Cash Provided (Used) by Noncapital Financing Activities	0.00	(5,997.13)	5,997.13	0.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of Capital Assets		(36,306.60)		(36,306.60)
Principal Paid on Capital Debt	(26,963.68)		(45,000.00)	(71,963.68)
Interest Paid on Capital Debt	(14,103.87)		(14,635.00)	(28,738.87)
Other Receipts	1,500.00			1,500.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(39,567.55)	(36,306.60)	(59,635.00)	(135,509.15)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received for Interest	307.80		1.74	309.54
Net Cash Provided (Used) by Investing Activities	307.80	0.00	1.74	309.54
Net Increase (Decrease) in Cash and Cash Equivalents	(5,335.38)	24,968.07	(7,076.17)	12,556.52
Balances - Beginning	77,953.75	132,361.49	7,076.17	217,391.41
Balances - Ending	72,618.37	157,329.56	0.00	229,947.93

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

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

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	13,678.88	60,314.25	40,602.34	114,595.47
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	19,558.28	9,255.09	13,966.98	42,780.35
(Increase) decrease in Receivables	274.67	(1,727.45)	(1,146.85)	(2,599.63)
(Increase) decrease in Net Pension Asset	3,278.34	3,278.34	2,462.15	9,018.83
(Increase) decrease in Pension Related Deferred Outflows	(1,246.17)	(1,246.17)	(935.92)	(3,428.26)
(Decrease) increase in Accounts and Other Payables	296.34	(41.29)	(6,465.36)	(6,210.31)
(Decrease) increase in Pension Related Deferred Inflows	(2,560.97)	(2,560.97)	(1,923.38)	(7,045.32)
(Decrease) increase in Customer Deposits	645.00			645.00
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>33,924.37</b>	<b>67,271.80</b>	<b>46,559.96</b>	<b>147,756.13</b>

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

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	179,741.77	183,191.41	362,933.18
Investments		34,200.00	34,200.00
Accounts Receivable, Net	120,520.74	66,032.84	186,553.58
Capital Assets:			
Land and Construction Work in Progress	58,500.00	70,250.00	128,750.00
Other Capital Assets, Net of Depreciation	959,952.31	1,201,965.70	2,161,918.01
<b>TOTAL ASSETS</b>	<b>1,318,714.82</b>	<b>1,555,639.95</b>	<b>2,874,354.77</b>
<b>LIABILITIES :</b>			
Accounts Payable	6,835.59	28,560.75	35,396.34
Other Current Liabilities		3,900.00	3,900.00
Noncurrent Liabilities:			
Due Within One Year	30,687.14	66,483.31	97,170.45
Due in More than One Year	381,242.68	726,387.00	1,107,629.68
<b>TOTAL LIABILITIES</b>	<b>418,765.41</b>	<b>825,331.06</b>	<b>1,244,096.47</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	608,750.67	479,345.39	1,088,096.06
Restricted for:			
Capital Projects Purposes	50,600.89		50,600.89
Debt Service Purposes	129,647.90	110,140.00	239,787.90
Economic Development Purposes	2,400.00		2,400.00
Park Purposes	23,711.39		23,711.39
Unrestricted (Deficit)	84,838.56	140,823.50	225,662.06
<b>TOTAL NET POSITION</b>	<b>899,949.41</b>	<b>730,308.89</b>	<b>1,630,258.30</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	137,777.10	20,478.03			(117,299.07)		(117,299.07)
Public Safety	35,704.05				(35,704.05)		(35,704.05)
Public Works	77,592.82	800.00	19,425.17	47,448.63	(9,919.02)		(9,919.02)
Health and Welfare	318.69	200.00	1,363.00		1,244.31		1,244.31
Culture and Recreation	48,103.17	50.00		31,326.16	(16,727.01)		(16,727.01)
Conservation and Development	4,205.08				(4,205.08)		(4,205.08)
*Interest on Long-term Debt	30,979.72				(30,979.72)		(30,979.72)
<b>Total Governmental Activities</b>	<b>334,680.63</b>	<b>21,528.03</b>	<b>20,788.17</b>	<b>78,774.79</b>	<b>(213,589.64)</b>		<b>(213,589.64)</b>
Business-type Activities:							
Water	70,952.13	80,334.65				9,382.52	9,382.52
Sewer	32,698.05	75,026.34				42,328.29	42,328.29
Natural Gas	343,054.91	305,522.73				(37,532.18)	(37,532.18)
<b>Total Business-type Activities</b>	<b>446,705.09</b>	<b>460,883.72</b>	<b>0.00</b>	<b>0.00</b>		<b>14,178.63</b>	<b>14,178.63</b>
<b>Total Primary Government</b>	<b>781,385.72</b>	<b>482,411.75</b>	<b>20,788.17</b>	<b>78,774.79</b>	<b>(213,589.64)</b>	<b>14,178.63</b>	<b>(199,411.01)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					143,458.51		143,458.51
Sales Taxes					173,064.33		173,064.33
State Shared Revenues					10,327.80		10,327.80
Unrestricted Investment Earnings					119.68	152.64	272.32
Miscellaneous Revenue					5,540.35	1,375.00	6,915.35
<b>Total General Revenues</b>					<b>332,510.67</b>	<b>1,527.64</b>	<b>334,038.31</b>
<b>Change in Net Position</b>					<b>118,921.03</b>	<b>15,706.27</b>	<b>134,627.30</b>
<b>Net Position - Beginning</b>					<b>781,028.38</b>	<b>714,602.62</b>	<b>1,495,631.00</b>
<b>NET POSITION - ENDING</b>					<b>899,949.41</b>	<b>730,308.89</b>	<b>1,630,258.30</b>

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

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	84,757.72	2,020.26	49,298.89	23,070.82	2,400.00	18,194.08	179,741.77
Taxes Receivable--Delinquent	5,454.56	274.58					5,729.14
Accounts Receivable, Net	50.00		1,302.00				1,352.00
Special Assessments Receivable--Current						9,624.91	9,624.91
Special Assessments Receivable--Delinquent						678.05	678.05
Special Assessments Receivable--Deferred						76,999.28	76,999.28
Interest Receivable--Special Assessments						21,856.74	21,856.74
Due from State Government	3,640.05			640.57			4,280.62
<b>TOTAL ASSETS</b>	<b>93,902.33</b>	<b>2,294.84</b>	<b>50,600.89</b>	<b>23,711.39</b>	<b>2,400.00</b>	<b>127,353.06</b>	<b>300,262.51</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts Payable	6,835.59						6,835.59
<b>Total Liabilities</b>	<b>6,835.59</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,835.59</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable Revenue--Property Taxes	5,454.56	274.58					5,729.14
Unavailable Revenue--Special Assessments						109,158.98	109,158.98
<b>Total Deferred Inflows of Resources</b>	<b>5,454.56</b>	<b>274.58</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>109,158.98</b>	<b>114,888.12</b>
<b>Fund Balances:</b>							
Restricted for Capital Projects			50,600.89				50,600.89
Restricted for Debt Service		2,020.26				18,194.08	20,214.34
Restricted for Parks Purposes				23,711.39			23,711.39
Restricted for Economic Development Purposes					2,400.00		2,400.00
Assigned for Museum	1,971.84						1,971.84
Unassigned	79,640.34						79,640.34
<b>Total Fund Balances</b>	<b>81,612.18</b>	<b>2,020.26</b>	<b>50,600.89</b>	<b>23,711.39</b>	<b>2,400.00</b>	<b>18,194.08</b>	<b>178,538.80</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>93,902.33</b>	<b>2,294.84</b>	<b>50,600.89</b>	<b>23,711.39</b>	<b>2,400.00</b>	<b>127,353.06</b>	<b>300,262.51</b>

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

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

Total Fund Balances - Governmental Funds	<u>178,538.80</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,018,452.31</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(411,929.82)</u>
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>114,888.12</u>
Net Position - Governmental Activities	<u><u>899,949.41</u></u>

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

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

	General Fund	Special Assessment Fund	Street Assessment Fund	Third Penny Sales Tax Fund	Grant Revolving Loan Fund	6th Avenue Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>							
Taxes:							
General Property Taxes	135,106.24	6,713.05					141,819.29
General Sales and Use Taxes	160,648.02			12,416.31			173,064.33
Amusement Taxes	288.00						288.00
Taxe Deed Revenue	246.57						246.57
Penalties and Interest on Delinquent Taxes	672.55	63.81					736.36
Licenses and Permits	15,151.49						15,151.49
Intergovernmental Revenue:							
State Grants	1,363.00						1,363.00
State Shared Revenue:							
Bank Franchise Tax	6,723.94						6,723.94
Liquor Tax Reversion	3,603.86						3,603.86
Motor Vehicle Licenses	5,433.54						5,433.54
Local Government Highway and Bridge Fund	12,124.33						12,124.33
County Shared Revenue:							
County Wheel Tax	1,214.69						1,214.69
Other	652.61						652.61
Charges for Goods and Services:							
General Government	2,091.54						2,091.54
Sanitation	800.00						800.00
Health	200.00						200.00
Culture and Recreation	50.00						50.00
Miscellaneous Revenue:							
Investment Earnings	119.68						119.68
Rentals	3,235.00						3,235.00
Special Assessments						11,606.72	11,606.72
Maintenance Assessments			33,231.97				33,231.97
Contributions and Donations from Private Sources	31,326.16						31,326.16
Other	3,855.35						3,855.35
<b>Total Revenue</b>	<b>384,906.57</b>	<b>6,776.86</b>	<b>33,231.97</b>	<b>12,416.31</b>	<b>0.00</b>	<b>11,606.72</b>	<b>448,938.43</b>

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

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

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Street Assessment Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	<u>6th Avenue Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>							
General Government:							
Legislative	27,166.80						27,166.80
Financial Administration	59,441.12						59,441.12
Other	43,645.89						43,645.89
Total General Government	130,253.81	0.00	0.00	0.00	0.00	0.00	130,253.81
Public Safety:							
Police	18,640.56						18,640.56
Fire	16,720.16						16,720.16
Total Public Safety	35,360.72	0.00	0.00	0.00	0.00	0.00	35,360.72
Public Works:							
Highways and Streets	41,875.08		5,739.80				47,614.88
Sanitation	1,367.99						1,367.99
Natural Gas	193.77						193.77
Total Public Works	43,436.84	0.00	5,739.80	0.00	0.00	0.00	49,176.64
Health and Welfare:							
Humane Society	318.69						318.69
Total Health and Welfare	318.69	0.00	0.00	0.00	0.00	0.00	318.69
Culture and Recreation:							
Recreation	16,775.67						16,775.67
Parks	18,829.48						18,829.48
Total Culture and Recreation	35,605.15	0.00	0.00	0.00	0.00	0.00	35,605.15
Conservation and Development:							
Economic Development and Assistance (Industrial Development)	4,205.08						4,205.08
Total Conservation and Development	4,205.08	0.00	0.00	0.00	0.00	0.00	4,205.08
Debt Service	46,784.65	22,411.78	0.00	0.00	0.00	4,095.00	73,291.43
Capital Outlay	30,067.16	0.00	0.00	0.00	0.00	0.00	30,067.16
Total Expenditures	326,032.10	22,411.78	5,739.80	0.00	0.00	4,095.00	358,278.68

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

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

	<u>General Fund</u>	<u>Special Assessment Fund</u>	<u>Street Assessment Fund</u>	<u>Third Penny Sales Tax Fund</u>	<u>Grant Revolving Loan Fund</u>	<u>6th Avenue Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess of Revenue Over (Under) Expenditures	58,874.47	(15,634.92)	27,492.17	12,416.31	0.00	7,511.72	90,659.75
<b>Other Financing Sources (Uses):</b>							
Compensation for Loss or Damage to Capital Assets	1,685.00						1,685.00
Total Other Financing Sources (Uses)	1,685.00	0.00	0.00	0.00	0.00	0.00	1,685.00
Net Change in Fund Balances	60,559.47	(15,634.92)	27,492.17	12,416.31	0.00	7,511.72	92,344.75
Fund Balance - Beginning	21,052.71	17,655.18	23,108.72	11,295.08	2,400.00	10,682.36	86,194.05
<b>FUND BALANCE - ENDING</b>	<u>81,612.18</u>	<u>2,020.26</u>	<u>50,600.89</u>	<u>23,711.39</u>	<u>2,400.00</u>	<u>18,194.08</u>	<u>178,538.80</u>

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

**MUNICIPALITY OF HUMBOLDT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2014**

Net Change in Fund Balances - Total Governmental Funds	<u>92,344.75</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>30,067.16</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(46,552.64)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>42,311.71</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>368.29</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>2,609.94</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(2,228.18)</u>
Change in Net Position of Governmental Activities	<u><u>118,921.03</u></u>

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

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

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	43,753.75	132,361.49	7,076.17	183,191.41
Investments	34,200.00			34,200.00
Accounts Receivable, Net	8,363.09	8,666.64	49,003.11	66,032.84
<b>Total Current Assets</b>	<b>86,316.84</b>	<b>141,028.13</b>	<b>56,079.28</b>	<b>283,424.25</b>
Noncurrent Assets:				
Capital Assets:				
Land	2,250.00	60,000.00		62,250.00
Improvements Other Than Buildings	865,396.32	216,191.51	699,689.43	1,781,277.26
Machinery and Equipment	35,380.37	33,534.38	14,877.81	83,792.56
Construction Work in Progress		8,000.00		8,000.00
Less: Accumulated Depreciation	(283,026.69)	(147,590.65)	(232,486.78)	(663,104.12)
<b>Total Noncurrent Assets</b>	<b>620,000.00</b>	<b>170,135.24</b>	<b>482,080.46</b>	<b>1,272,215.70</b>
<b>TOTAL ASSETS</b>	<b>706,316.84</b>	<b>311,163.37</b>	<b>538,159.74</b>	<b>1,555,639.95</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	1,773.32	127.50	26,659.93	28,560.75
Customer Deposits	3,900.00			3,900.00
Bonds Payable Current:				
Revenue	21,483.31		45,000.00	66,483.31
<b>Total Current Liabilities</b>	<b>27,156.63</b>	<b>127.50</b>	<b>71,659.93</b>	<b>98,944.06</b>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	336,387.00		390,000.00	726,387.00
<b>Total Noncurrent Liabilities</b>	<b>336,387.00</b>	<b>0.00</b>	<b>390,000.00</b>	<b>726,387.00</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	262,129.69	170,135.24	47,080.46	479,345.39
Restricted for:				
Revenue Bond Debt Service	36,140.00		74,000.00	110,140.00
Equipment Repair and/or Replacement	6,000.00	6,000.00		12,000.00
Unrestricted	38,503.52	134,900.63	(44,580.65)	128,823.50
<b>TOTAL NET POSITION</b>	<b>342,773.21</b>	<b>311,035.87</b>	<b>76,499.81</b>	<b>730,308.89</b>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>Operating Revenue:</b>				
Charges for Goods and Services	80,334.65	75,026.34	305,522.73	460,883.72
Total Operating Revenue	80,334.65	75,026.34	305,522.73	460,883.72
<b>Operating Expenses:</b>				
Personal Services	11,947.13	11,187.14	22,323.64	45,457.91
Other Current Expense	6,903.61	12,255.82	37,438.40	56,597.83
Materials (Cost of Goods Sold)	23,564.82		253,350.88	276,915.70
Depreciation	19,558.29	9,255.09	13,966.99	42,780.37
Total Operating Expenses	61,973.85	32,698.05	327,079.91	421,751.81
Operating Income (Loss)	18,360.80	42,328.29	(21,557.18)	39,131.91
<b>Nonoperating Revenue (Expense):</b>				
Investment Earnings	152.64			152.64
Rental Revenue	1,375.00			1,375.00
Interest Expense	(8,978.28)		(15,975.00)	(24,953.28)
Total Nonoperating Revenue (Expense)	(7,450.64)	0.00	(15,975.00)	(23,425.64)
Change in Net Position	10,910.16	42,328.29	(37,532.18)	15,706.27
Net Position - Beginning	331,863.05	268,707.58	114,031.99	714,602.62
<b>NET POSITION - ENDING</b>	342,773.21	311,035.87	76,499.81	730,308.89

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Natural Gas Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Receipts from Customers	79,383.41	74,330.67	308,159.60	461,873.68
Cash Payments to Employees for Services	(11,947.13)	(11,187.14)	(22,323.64)	(45,457.91)
Cash Payments to Suppliers of Goods and Services	(30,771.65)	(12,304.57)	(295,179.18)	(338,255.40)
Net Cash Provided (Used) by Operating Activities	36,664.63	50,838.96	(9,343.22)	78,160.37
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of Capital Assets		(8,000.00)		(8,000.00)
Principal Paid on Capital Debt	(15,662.25)		(40,000.00)	(55,662.25)
Interest Paid on Capital Debt	(8,978.28)		(15,975.00)	(24,953.28)
Other Receipts	1,375.00			1,375.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(23,265.53)	(8,000.00)	(55,975.00)	(87,240.53)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received for Interest	152.64			152.64
Net Cash Provided (Used) by Investing Activities	152.64	0.00	0.00	152.64
Net Increase (Decrease) in Cash and Cash Equivalentents	13,551.74	42,838.96	(65,318.22)	(8,927.52)
Balances - Beginning	64,402.01	89,522.53	72,394.39	226,318.93
Balances - Ending	77,953.75	132,361.49	7,076.17	217,391.41

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

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

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Natural Gas Fund</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	18,360.80	42,328.29	(21,557.18)	39,131.91
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	19,558.29	9,255.09	13,966.99	42,780.37
(Increase) decrease in Receivables	573.76	(695.67)	2,636.87	2,514.96
(Decrease) increase in Accounts and Other Payables	(303.22)	(48.75)	(4,389.90)	(4,741.87)
(Decrease) increase in Customer Deposits	(1,525.00)			(1,525.00)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>36,664.63</b>	<b>50,838.96</b>	<b>(9,343.22)</b>	<b>78,160.37</b>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

**Governmental Funds:**

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

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

Special Assessment Fund – to account for financing improvements for which special assessments are to be levied. The fund may be used both to pay the portion of the cost of such improvement assumed by the municipality and to advance the portion of such cost ultimately to be paid from collections of assessments. (SDCL 9-43-69) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

Third Penny Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the city. (SDCL 10-52A-2) This is a major fund.

Grant Revolving Loan Fund – to account for federal grants that, when given to the Municipality, are subsequently loaned out to a new business to be repaid over a period of years. This is 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.

6th Avenue Debt Service Fund – 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. This is a major fund.

**Proprietary Funds:**

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

Natural Gas Fund – financed primarily by user charges, this fund is to account for the construction and operation of a natural gas system. This is a major fund.

- c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Humboldt, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2014 and 2015 are sales tax and miscellaneous revenue.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

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.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

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

Government-Wide Statements

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

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

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and Land Rights	\$ -	-- N/A --	-- N/A --
Improvements other than Buildings	\$ 5,000.00	Straight-line	30-100 yrs.
Buildings	\$ 5,000.00	Straight-line	20-100 yrs.
Machinery & Equipment	\$ 2,000.00	Straight-line	10-100 yrs.
Infrastructure	\$ 5,000.00	Straight-line	30-100 yrs.
Utility Property and Improvements	\$ 5,000.00	Straight-line	30-100 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Assessment Fund	Property Taxes
Street Assessment Fund	Street Assessments
Third Penny Sales Tax Fund	Sales Tax
Grant Revolving Loan Fund	Grants

o. Pensions:

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

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>
<b>General Fund:</b>		
Legislative	\$ 8,036.80	
Financial Administration		\$ 4,379.42
Fire		\$ 683.53
Highways and Streets		\$ 5,693.55
Natural Gas		\$ 258.96
Humane Society		\$ 32.97
Recreation	\$ 15,247.83	\$ 20,094.30
Parks	\$ 4,474.48	
Debt Service	\$ 4,094.65	
 <b>Street Assessment Fund:</b>		
Highways and Streets		\$ 3,549.85

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 9-22-6, 6-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

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

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

As of December 31, 2015, the Municipality had the following investments. Except for the investment in SDFIT, all investments are in an internal deposit and investment pool.

<u>Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
SDFIT	Unrated	\$ <u>27,728.77</u>
<b>TOTAL INVESTMENTS</b>		<b>\$ <u>27,728.77</u></b>

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

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices. As of December 31, 2015, the Municipality's investment in the SD FIT pool was unrated.

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from deposits and investments to the General Fund, Liquor Fund, and Natural Gas Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Income from deposits, not recorded to other funds, is immaterial.

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are not material.

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

6. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2015
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	58,500.00			58,500.00
Total, not being Depreciated	<u>58,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>58,500.00</u>
Capital Assets, being Depreciated:				
Buildings	663,833.81			663,833.81
Improvements Other Than Buildings	517,710.82	31,709.76		549,420.58
Machinery and Equipment	221,697.12	28,576.00		250,273.12
Total, being Depreciated	<u>1,403,241.75</u>	<u>60,285.76</u>	<u>0.00</u>	<u>1,463,527.51</u>
Less Accumulated Depreciation for:				
Buildings	(153,504.64)	(15,515.77)		(169,020.41)
Improvements Other Than Buildings	(160,825.49)	(49,359.18)		(210,184.67)
Machinery and Equipment	(112,473.83)	(29,703.76)		(142,177.59)
Total Accumulated Depreciation	<u>(426,803.96)</u>	<u>(94,578.71)</u>	<u>0.00</u>	<u>(521,382.67)</u>
Total Governmental Activities Capital Assets, being Depreciated, Net	<u>976,437.79</u>	<u>(34,292.95)</u>	<u>0.00</u>	<u>942,144.84</u>
Governmental Activity Capital Assets, Net	<u>1,034,937.79</u>	<u>(34,292.95)</u>	<u>0.00</u>	<u>1,000,644.84</u>

Depreciation expense was charged to functions as follows:

	2014	2015
Governmental Activities:		
General Government	5,295.11	5,265.21
Public Safety	343.33	343.33
Public Works	28,416.18	28,416.18
Culture and Recreation	12,498.02	14,001.35
Total Depreciation Expense - Governmental Activities	<u>46,552.64</u>	<u>48,026.07</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2014	Increases	Decreases	Balance 12/31/2015
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	62,250.00			62,250.00
Construction Work in Progress	0.00	44,306.60		44,306.60
Total, not being Depreciated	<u>62,250.00</u>	<u>44,306.60</u>	<u>0.00</u>	<u>106,556.60</u>
Capital Assets, being Depreciated:				
Improvements Other Than Buildings	1,781,277.26			1,781,277.26
Machinery and Equipment	83,792.56			83,792.56
Total, being Depreciated	<u>1,865,069.82</u>	<u>0.00</u>	<u>0.00</u>	<u>1,865,069.82</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(574,292.23)	(72,885.54)		(647,177.77)
Machinery and Equipment	(46,031.52)	(12,675.18)		(58,706.70)
Total Accumulated Depreciation	<u>(620,323.75)</u>	<u>(85,560.72)</u>	<u>0.00</u>	<u>(705,884.47)</u>
Total Capital Assets, being depreciated, net	<u>1,244,746.07</u>	<u>(85,560.72)</u>	<u>0.00</u>	<u>1,159,185.35</u>
Business-Type Activity Capital Assets, Net	<u>1,306,996.07</u>	<u>(41,254.12)</u>	<u>0.00</u>	<u>1,265,741.95</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2014	2015
Water	19,558.29	19,558.28
Sewer	9,255.09	9,255.09
Natural Gas	13,966.99	13,966.98
Total Depreciation Expense - Business-Type Activities	<u>42,780.37</u>	<u>42,780.35</u>

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

Project Name	Project Authorization	Expended thru 12/31/2015	Committed	Required Future Financing
Sanitary Sewer Collection				
Improvements	1,807,070.72	44,306.60	0.00	1,762,764.12
TOTAL	<u>1,807,070.72</u>	<u>44,306.60</u>	<u>0.00</u>	<u>1,762,764.12</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Primary Government:					
Governmental Activities:					
Note Payable - Ball Diamond	78,263.39		8,610.77	69,652.62	4,710.07
Note Payable - Concession Stand	17,230.53		17,230.53	0.00	0.00
Bonds Payable:					
Sales Tax Refunding Bonds	224,327.58		29,680.97	194,646.61	16,092.88
Judgment Bonds	9,533.04		9,533.04	0.00	0.00
Special Assessment Bonds - Series 2004	5,658.81		5,658.81	0.00	0.00
Special Assessment Bonds - 6th Avenue	117,000.00			117,000.00	0.00
Total Debt	<u>452,013.35</u>	<u>0.00</u>	<u>70,714.12</u>	<u>381,299.23</u>	<u>20,802.95</u>
Accrued Compensated Absences- Governmental Funds	0.00	7,402.93	5,875.83	1,527.10	1,527.10
Total Governmental Activities	<u>452,013.35</u>	<u>7,402.93</u>	<u>76,589.95</u>	<u>382,826.33</u>	<u>22,330.05</u>
Business-Type Activities:					
Bonds Payable:					
Gas Utility Revenue Refunding Bonds, Series 2011	475,000.00		85,000.00	390,000.00	50,000.00
State Revolving Loan Fund Drinking Water # 1	373,532.56		42,625.93	330,906.63	16,709.71
Total Business-Type Activities	<u>848,532.56</u>	<u>0.00</u>	<u>127,625.93</u>	<u>720,906.63</u>	<u>66,709.71</u>
TOTAL PRIMARY GOVERNMENT	<u>1,300,545.91</u>	<u>7,402.93</u>	<u>204,215.88</u>	<u>1,103,732.96</u>	<u>89,039.76</u>

In prior years the Municipality defeased Natural Gas Pipeline Bonds and Sales Tax Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of December 31, 2015, all of the old bonds were paid in full.

The Municipality is fully obligated for the payment of the Special Assessment Bonds in the event of default by the property owners.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Sales Tax Refunding Bonds:

Sales Tax Refunding Bonds, Series 2005, Final Maturity 2025, Interest Rate 5.50%, Retired by General Fund	\$ 194,646.61
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Special Assessments:

Special Assessment Bonds on 6th Avenue, Final Maturity April 1, 2023, Interest Rate 3.50%, Retired by Special Assessment Fund	\$ 117,000.00
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Revenue Bonds:

Natural Gas Revenue Refunding Bonds, \$595,000.00 Series 2011, Final Maturity 2022, Interest Rate 1.25% to 4.00%, Retired by Natural Gas Fund	\$ 390,000.00
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Revenue Bonds:

State Revolving Loan Fund – Drinking Water # 1, Final Maturity April 15, 2028, Interest Rate 3.25%, Retired by Water Fund	\$ 330,906.63
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Note Payable:

Note Payable on Ball Diamond, Final Maturity February 1, 2017, Interest Rate 5.25%, Retired by General Fund	\$ 69,652.62
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Compensated Absences:

Accrued Leave for eligible employees Payment to be made by General Fund	\$ 1,527.10
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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments of \$225,097.14, are as follows:

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

Year Ending December 31,	Sales Tax Refunding Bonds, Series 2005		Special Assessment Bonds, 6th Avenue		Gas Utility Revenue Refunding Bonds, Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	16,092.88	10,487.29	0.00	4,095.00	50,000.00	13,632.50
2017	16,990.16	9,590.01	0.00	4,095.00	45,000.00	12,132.50
2018	17,937.47	8,642.70	0.00	4,095.00	50,000.00	10,782.50
2019	18,937.60	7,642.58	0.00	4,095.00	55,000.00	9,282.50
2020	19,993.48	6,586.68	0.00	4,095.00	60,000.00	7,330.00
2021-2025	104,695.02	14,915.65	117,000.00	10,237.50	130,000.00	7,800.00
2026-2030						
Totals	<u>194,646.61</u>	<u>57,864.91</u>	<u>117,000.00</u>	<u>30,712.50</u>	<u>390,000.00</u>	<u>60,960.00</u>

Year Ending December 31,	State Revolving Loan Fund - Drinking Water #1		Notes Payable - Ball Diamond		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	16,709.71	7,930.82	4,710.07	3,539.21	87,512.66	39,684.82
2017	22,920.10	9,933.94	64,942.55	465.16	149,852.81	36,216.61
2018	23,674.12	9,179.92			91,611.59	32,700.12
2019	24,452.97	8,401.07			98,390.57	29,421.15
2020	25,257.42	7,596.62			105,250.90	25,608.30
2021-2025	139,311.37	24,958.83			491,006.39	57,911.98
2026-2030	78,580.94	3,554.16			78,580.94	3,554.16
Totals	<u>330,906.63</u>	<u>71,555.36</u>	<u>69,652.62</u>	<u>4,004.37</u>	<u>1,102,205.86</u>	<u>225,097.14</u>

## 9. OPERATING LEASES

The Municipality of Humboldt entered into an operating lease for office space for the finance officer and also an operating lease for a copier. The monthly minimum payments are paid by the General Fund.

The following are the minimum payments on these operating leases.

	<u>City Office</u>	<u>Copier</u>
2016	\$ 4,800.00	\$ 1,222.80
2017	2,400.00	1,222.80
2018		1,222.80
2019		407.60

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. WATER PURCHASE AGREEMENT

The Municipality of Humboldt entered into a twenty-year operating lease with Minnehaha Community Water Corporation to provide water to the Municipality. No monthly service charge is paid by the Municipality to Minnehaha Community Water Corporation. A charge of \$0.0184 per gallon of water consumed is paid. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's water fund. There are no minimum payments on this agreement.

11. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2015 and 2014 was as follows:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Major Purposes:		
Debt Service	\$ 245,563.40	\$ 239,787.90
Economic Development	2,400.00	2,400.00
Capital Projects	27,051.04	50,600.89
Parks	37,458.58	23,711.39
SDRS Pension	<u>23,342.57</u>	<u>23,342.57</u>
Total Restricted Net Position	<u>\$ 335,815.59</u>	<u>\$ 316,500.18</u>

These balances are restricted due to statutory requirements and debt covenants.

12. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:		
Sewer Fund	5,997.13	
Natural Gas Fund		5,997.13

The purposes for the interfund receivable and payable balances are to eliminate a temporary cash deficit.

13. SIGNIFICANT CONTINGENCIES - LITIGATION

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

14. PRIOR PERIOD ADJUSTMENTS

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

	Governmental Activities	Business-Type Activities	Total
Net Position January 1, 2015, as previously reported	862,702.99	730,308.89	1,593,011.88
Restatement for pension accounting:			
Net Pension Asset	12,549.87	19,732.46	32,282.33
Pension Related Deferred Outflows of Resources	10,134.27	15,934.36	26,068.63
Pension Related Deferred Inflows of Resources	(14,534.86)	(22,853.51)	(37,388.37)
Net Position January 1, 2015, as restated	<u>870,852.27</u>	<u>743,122.20</u>	<u>1,613,974.47</u>

15. PENSION PLAN

**Plan Information:**

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

**Benefits Provided:**

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$4,619.74, \$4,430.24, and \$5,535.29, respectively, equal to the required contributions each year.

**Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period and reported by the Municipality as of December 31, 2015 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 445,351.01
Less proportionate share of total pension liability	<u>\$ 427,823.49</u>
Proportionate share of net pension liability (asset)	<u>\$ (17,527.52)</u>

At December 31, 2015, the Municipality reported a liability (asset) of \$(17,527.52) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was 0.0041326%, which is a decrease of 0.0003482% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Municipality recognized pension expense (revenue) of \$2,239.74. At December 31, 2015 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 3,588.84	
Changes in assumption.	\$ 13,898.23	
Net Difference between projected and actual earnings on pension plan investments.	\$ 10,707.28	\$ 25,862.21
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 1,125.78	
Municipality contributions subsequent to the measurement date.	<u>\$ 2,357.13</u>	
<b>TOTAL</b>	<u><b>\$ 31,677.26</b></u>	<u><b>\$ 25,862.21</b></u>

\$2,357.13 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:		
2016	\$	830.53
2017	\$	830.53
2018	\$	(2,234.36)
2019	\$	<u>2,905.43</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>2,332.13</u></b>

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

**Discount Rate:**

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

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

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 44,116.62	\$(17,527.52)	\$(67,793.04)

**Pension Plan Fiduciary Net Position:**

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**16. RISK MANAGEMENT**

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

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$250.00 per person up to \$500.00 per family. The plan also provides for coinsurance of 90 percent up to \$5,000.00. The coverage also includes a \$2,500,000.00 lifetime maximum payment per person.

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

Liability Insurance:

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

Worker's Compensation:

The Municipality 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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HUMBOLDT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL 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>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	114,000.00	114,000.00	132,490.23	18,490.23
General Sales and Use Taxes	90,000.00	90,000.00	179,176.30	89,176.30
Amusement Taxes	200.00	200.00	312.00	112.00
Tax Deed Revenue	0.00	0.00	606.26	606.26
Penalties and Interest on Delinquent Taxes	559.00	559.00	511.67	(47.33)
Licenses and Permits	6,100.00	6,100.00	8,072.88	1,972.88
Intergovernmental Revenue:				
State Grants	1,200.00	1,200.00	1,500.00	300.00
State Shared Revenue:				
Bank Franchise Tax	7,000.00	7,000.00	6,113.47	(886.53)
Liquor Tax Reversion	4,000.00	4,000.00	3,662.59	(337.41)
Motor Vehicle Licenses	4,700.00	4,700.00	6,290.13	1,590.13
Local Government Highway and Bridge Fund	12,500.00	12,500.00	12,314.82	(185.18)
County Shared Revenue:				
County Wheel Tax	1,500.00	1,500.00	1,297.60	(202.40)
Other Intergovernmental Revenues	1,000.00	1,000.00	703.39	(296.61)
Charges for Goods and Services:				
General Government	5,200.00	5,200.00	2,426.40	(2,773.60)
Sanitation	45,900.00	45,900.00	205.00	(45,695.00)
Health	500.00	500.00	0.00	(500.00)
Culture and Recreation	1,500.00	1,500.00	52.65	(1,447.35)
Miscellaneous Revenue:				
Investment Earnings	340.00	340.00	208.54	(131.46)
Rentals	6,900.00	6,900.00	4,250.00	(2,650.00)
Contributions and Donations from Private Sources	15,000.00	15,000.00	18,578.20	3,578.20
Other	5,200.00	5,200.00	5,312.16	112.16
<b>Total Revenue</b>	<b>323,299.00</b>	<b>323,299.00</b>	<b>384,084.29</b>	<b>60,785.29</b>
<b>Expenditures:</b>				
General Government:				
Legislative	17,000.00	17,000.00	16,145.28	854.72
Contingency	5,000.00	5,000.00		
Amount Transferred		0.00		5,000.00
Elections	500.00	500.00	25.49	474.51
Financial Administration	46,540.00	46,540.00	50,919.42	(4,379.42)
Other	46,870.00	46,870.00	38,656.74	8,213.26
<b>Total General Government</b>	<b>115,910.00</b>	<b>115,910.00</b>	<b>105,746.93</b>	<b>10,163.07</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HUMBOLDT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL 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>		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	20,088.00	20,088.00	19,327.89	760.11
Fire	16,125.00	16,125.00	16,808.53	(683.53)
Total Public Safety	<u>36,213.00</u>	<u>36,213.00</u>	<u>36,136.42</u>	<u>76.58</u>
Public Works:				
Highways and Streets	70,400.00	70,400.00	76,093.55	(5,693.55)
Sanitation	2,550.00	2,550.00	2,439.57	110.43
Natural Gas	430.00	430.00	688.96	(258.96)
Total Public Works	<u>73,380.00</u>	<u>73,380.00</u>	<u>79,222.08</u>	<u>(5,842.08)</u>
Health and Welfare:				
Humane Society	840.00	840.00	872.97	(32.97)
Total Health and Welfare	<u>840.00</u>	<u>840.00</u>	<u>872.97</u>	<u>(32.97)</u>
Culture and Recreation:				
Recreation	16,600.00	16,600.00	36,694.30	(20,094.30)
Parks	28,350.00	28,350.00	18,648.21	9,701.79
Total Culture and Recreation	<u>44,950.00</u>	<u>44,950.00</u>	<u>55,342.51</u>	<u>(10,392.51)</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	4,325.00	4,325.00	4,256.42	68.58
Total Conservation and Development	<u>4,325.00</u>	<u>4,325.00</u>	<u>4,256.42</u>	<u>68.58</u>
Debt Service	<u>51,400.00</u>	<u>51,400.00</u>	<u>44,025.82</u>	<u>7,374.18</u>
Total Expenditures	<u>327,018.00</u>	<u>327,018.00</u>	<u>325,603.15</u>	<u>1,414.85</u>
Excess of Revenue Over (Under) Expenditures	<u>(3,719.00)</u>	<u>(3,719.00)</u>	<u>58,481.14</u>	<u>62,200.14</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	27,719.00	27,719.00	0.00	(27,719.00)
Compensation for Loss or Damage to Capital Assets	1,000.00	1,000.00	335.00	(665.00)
Transfers Out	(25,000.00)	(25,000.00)	0.00	25,000.00
Total Other Financing Sources (Uses)	<u>3,719.00</u>	<u>3,719.00</u>	<u>335.00</u>	<u>(3,384.00)</u>
Net Change in Fund Balances	<u>0.00</u>	<u>0.00</u>	<u>58,816.14</u>	<u>58,816.14</u>
Fund Balance - Beginning	<u>81,612.18</u>	<u>81,612.18</u>	<u>81,612.18</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>81,612.18</u>	<u>81,612.18</u>	<u>140,428.32</u>	<u>58,816.14</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HUMBOLDT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL ASSESSMENT FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	10,700.00	10,700.00	10,391.96	(308.04)
Licenses and Permits	0.00	0.00	182.57	182.57
Total Revenue	10,700.00	10,700.00	10,574.53	(125.47)
<b>Expenditures:</b>				
Debt Service	10,700.00	10,700.00	0.00	10,700.00
Total Expenditures	10,700.00	10,700.00	0.00	10,700.00
Net Change in Fund Balances	0.00	0.00	10,574.53	10,574.53
Fund Balance - Beginning	2,020.26	2,020.26	2,020.26	0.00
FUND BALANCE - ENDING	2,020.26	2,020.26	12,594.79	10,574.53

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HUMBOLDT**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STREET ASSESSMENT 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>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Special Assessments	23,000.00	23,000.00	0.00	(23,000.00)
Total Revenue	23,000.00	23,000.00	0.00	(23,000.00)
<b>Expenditures:</b>				
Public Works:				
Highway and Streets	20,000.00	20,000.00	23,549.85	(3,549.85)
Total Public Works	20,000.00	20,000.00	23,549.85	(3,549.85)
Total Expenditures	20,000.00	20,000.00	23,549.85	(3,549.85)
Net Change in Fund Balances	3,000.00	3,000.00	(23,549.85)	(26,549.85)
Fund Balance - Beginning	50,600.89	50,600.89	50,600.89	0.00
FUND BALANCE - ENDING	53,600.89	53,600.89	27,051.04	(26,549.85)

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	8,000.00	8,000.00	13,747.19	5,747.19
Total Revenue	8,000.00	8,000.00	13,747.19	5,747.19
<b>Expenditures</b>	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under) Expenditures	8,000.00	8,000.00	13,747.19	5,747.19
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(8,000.00)	(8,000.00)	0.00	8,000.00
Total Other Financing Sources (Uses)	(8,000.00)	(8,000.00)	0.00	8,000.00
Net Change in Fund Balances	0.00	0.00	13,747.19	13,747.19
Fund Balance - Beginning	23,711.39	23,711.39	23,711.39	0.00
<b>FUND BALANCE - ENDING</b>	<b>23,711.39</b>	<b>23,711.39</b>	<b>37,458.58</b>	<b>13,747.19</b>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	135,875.00	135,875.00	135,106.24	(768.76)
General Sales and Use Taxes	137,800.00	137,800.00	160,648.02	22,848.02
Amusement Taxes	192.00	192.00	288.00	96.00
Tax Deed Revenue	0.00	0.00	246.57	246.57
Penalties and Interest on Delinquent Taxes	400.00	400.00	672.55	272.55
Licenses and Permits	2,900.00	2,900.00	15,151.49	12,251.49
Intergovernmental Revenue:				
State Grants	20,000.00	20,000.00	1,363.00	(18,637.00)
State Shared Revenue:				
Bank Franchise Tax	5,000.00	5,000.00	6,723.94	1,723.94
Motor Vehicle Commercial Prorate	3,400.00	3,400.00	3,603.86	203.86
Motor Vehicle Licenses	3,500.00	3,500.00	5,433.54	1,933.54
Local Government Highway and Bridge Fund	10,500.00	10,500.00	12,124.33	1,624.33
County Shared Revenue:				
County Wheel Tax	1,200.00	1,200.00	1,214.69	14.69
Other	500.00	500.00	652.61	152.61
Charges for Goods and Services:				
General Government	5,712.00	5,712.00	2,091.54	(3,620.46)
Sanitation	600.00	600.00	800.00	200.00
Health	0.00	0.00	200.00	200.00
Culture and Recreation	200.00	200.00	50.00	(150.00)
Miscellaneous Revenue:				
Investment Earnings	85.00	85.00	119.68	34.68
Rentals	3,850.00	3,850.00	3,235.00	(615.00)
Contributions and Donations from Private Sources	28,566.00	28,566.00	31,326.16	2,760.16
Other	11,344.00	11,344.00	3,855.35	(7,488.65)
<b>Total Revenue</b>	<b>371,624.00</b>	<b>371,624.00</b>	<b>384,906.57</b>	<b>13,282.57</b>
<b>Expenditures:</b>				
General Government:				
Legislative	19,130.00	19,130.00	27,166.80	(8,036.80)
Contingency	16,801.00	16,801.00		
Amount Transferred		0.00		16,801.00
Elections	700.00	700.00	0.00	700.00
Financial Administration	64,000.00	64,000.00	59,441.12	4,558.88
Other	59,900.00	59,900.00	43,645.89	16,254.11
<b>Total General Government</b>	<b>160,531.00</b>	<b>160,531.00</b>	<b>130,253.81</b>	<b>30,277.19</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF HUMBOLDT**  
**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		
<b>Expenditures (Continued):</b>				
Public Safety:				
Police	19,876.00	19,876.00	18,640.56	1,235.44
Fire	17,769.00	17,769.00	16,720.16	1,048.84
Total Public Safety	37,645.00	37,645.00	35,360.72	2,284.28
Public Works:				
Highways and Streets	70,744.00	70,744.00	41,875.08	28,868.92
Sanitation	3,700.00	3,700.00	1,367.99	2,332.01
Natural Gas	430.00	430.00	193.77	236.23
Total Public Works	74,874.00	74,874.00	43,436.84	31,437.16
Health and Welfare:				
Humane Society	700.00	700.00	318.69	381.31
Total Health and Welfare	700.00	700.00	318.69	381.31
Culture and Recreation:				
Recreation	31,595.00	31,595.00	46,842.83	(15,247.83)
Parks	14,355.00	14,355.00	18,829.48	(4,474.48)
Total Culture and Recreation	45,950.00	45,950.00	65,672.31	(19,722.31)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	6,200.00	6,200.00	4,205.08	1,994.92
Total Conservation and Development	6,200.00	6,200.00	4,205.08	1,994.92
Debt Service	42,690.00	42,690.00	46,784.65	(4,094.65)
Total Expenditures	368,590.00	368,590.00	326,032.10	42,557.90
Excess of Revenue Over (Under) Expenditures	3,034.00	3,034.00	58,874.47	55,840.47
<b>Other Financing Sources (Uses):</b>				
Transfers In	4,966.00	4,966.00	0.00	(4,966.00)
Compensation for Loss or Damage to Capital Assets	0.00	0.00	1,685.00	1,685.00
Total Other Financing Sources (Uses)	4,966.00	4,966.00	1,685.00	(3,281.00)
Net Change in Fund Balances	8,000.00	8,000.00	60,559.47	52,559.47
Fund Balance - Beginning	21,052.71	21,052.71	21,052.71	0.00
FUND BALANCE - ENDING	29,052.71	29,052.71	81,612.18	52,559.47

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Property Taxes	6,700.00	6,700.00	6,713.05	13.05
Licenses and Permits	0.00	0.00	63.81	63.81
Total Revenue	<u>6,700.00</u>	<u>6,700.00</u>	<u>6,776.86</u>	<u>76.86</u>
<b>Expenditures:</b>				
Debt Service	<u>24,378.00</u>	<u>24,378.00</u>	<u>22,411.78</u>	<u>1,966.22</u>
Total Expenditures	<u>24,378.00</u>	<u>24,378.00</u>	<u>22,411.78</u>	<u>1,966.22</u>
Net Change in Fund Balances	<u>(17,678.00)</u>	<u>(17,678.00)</u>	<u>(15,634.92)</u>	<u>2,043.08</u>
Fund Balance - Beginning	<u>17,655.18</u>	<u>17,655.18</u>	<u>17,655.18</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u><u>(22.82)</u></u>	<u><u>(22.82)</u></u>	<u><u>2,020.26</u></u>	<u><u>2,043.08</u></u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Maintenance Assessments	19,300.00	19,300.00	33,231.97	13,931.97
Total Revenue	19,300.00	19,300.00	33,231.97	13,931.97
<b>Expenditures:</b>				
Public Works:				
Highway and Streets	57,600.00	57,600.00	5,739.80	51,860.20
Total Public Works	57,600.00	57,600.00	5,739.80	51,860.20
Total Expenditures	57,600.00	57,600.00	5,739.80	51,860.20
Net Change in Fund Balances	(38,300.00)	(38,300.00)	27,492.17	65,792.17
Fund Balance - Beginning	23,108.72	23,108.72	23,108.72	0.00
FUND BALANCE - ENDING	(15,191.28)	(15,191.28)	50,600.89	65,792.17

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	8,800.00	8,800.00	12,416.31	3,616.31
Total Revenue	8,800.00	8,800.00	12,416.31	3,616.31
<b>Expenditures:</b>				
Culture and Recreation:				
Recreation	8,800.00	8,800.00	0.00	8,800.00
Total Culture and Recreation	8,800.00	8,800.00	0.00	8,800.00
Total Expenditures	8,800.00	8,800.00	0.00	8,800.00
Net Change in Fund Balances	0.00	0.00	12,416.31	12,416.31
Fund Balance - Beginning	11,295.08	11,295.08	11,295.08	0.00
FUND BALANCE - ENDING	11,295.08	11,295.08	23,711.39	12,416.31

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**NOTE 1. Budgets and Budgetary Accounting:**

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

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

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

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Municipality's proportion of the net pension liability (asset)	0.0041326%
Municipality's proportionate share of net pension liability (asset)	\$ (18)
Municipality's covered-employee payroll	\$ 75
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(24.00%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	(104.1%)

The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30.

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

(Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 5
Contributions in relation to the contractually required contribution	<u>\$ 5</u>
Contribution deficiency (excess)	\$ -
Municipality's covered-employee payroll	\$ 74
Contributions as a percentage of covered-employee payroll	6.76%