

**MUNICIPALITY OF IRENE
IRENE, 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 IRENE

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Bryce Johnke

GOVERNING BOARD:

Brent Mutchelknaus – President
Vacant – Vice-President
Linda Bak
Tammy Huether
Jeff McManus

FINANCE OFFICER:

Casey Van Beek

ATTORNEY:

Gregory T. Brewers

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Schedule of Prior Audit Findings.....	3
Schedule of Current Audit Findings.....	4
Independent Auditor's Report	5-6
BASIC FINANCIAL STATEMENTS:	
As of and For the Year Ended December 31, 2015:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	7
Statement of Activities – Cash Basis.....	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis.....	9
Statement of Receipts, Disbursements, and Changes In Fund Cash Balance – Cash Basis.....	10-11
Proprietary Funds:	
Statement of Net Position – Cash Basis.....	12
Statement of Receipts, Disbursements, and Changes in Fund Cash Net Position – Cash Basis.....	13
As of and For the Year Ended December 31, 2014:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	14
Statement of Activities – Cash Basis.....	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Cash Basis.....	16
Statement of Receipts, Disbursements, and Changes In Fund Cash Balance – Cash Basis.....	17-18
Proprietary Funds:	
Statement of Net Position – Cash Basis.....	19
Statement of Receipts, Disbursements, and Changes in Fund Cash Net Position – Cash Basis.....	20
Notes to the Cash Basis Financial Statements.....	21-31

TABLE OF CONTENTS

Supplementary Information:

For the Year Ended December 31, 2015:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 32-33

Liquor, Lodging, & Dining Gross Receipts Tax Fund..... 34

For the Year Ended December 31, 2014:

Budgetary Comparison Schedules – Budgetary Basis:

General Fund..... 35-36

Liquor, Lodging, & Dining Gross Receipts Tax Fund..... 37

Notes to the Supplementary Information – Budgetary Comparison Schedules..... 38

Long-Term Liabilities..... 39-40

Schedule of Expenditures of State Awards..... 41

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Irene
Irene, 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 cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Irene, 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 July 21, 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 item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

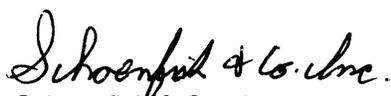
on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
July 21, 2016

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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 resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2015-001.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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 eighth consecutive audit in which a similar comment has occurred.

Criteria:

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

Condition:

The Finance Officer and Liquor Store Manager process all revenue transactions from beginning to end. The Finance Officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. The Liquor Store Manager receives money and prepares the bank deposits for the liquor store, which is approximately 40% of the Municipality's revenue.

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 Irene 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 Irene Mayor, Bryce Johnke, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Irene, 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 a policy to provide compensating controls.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Council President and Finance Officer on June 13, 2016.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

Schoenfish & Co., Inc.

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

Governing Board
Municipality of Irene
Irene, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
July 21, 2016

Schoenfish & Co., Inc.

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	<u>171,839.81</u>	<u>323,263.43</u>	<u>495,103.24</u>
TOTAL ASSETS	171,839.81	323,263.43	495,103.24
NET POSITION:			
Restricted for:			
Debt Service Purposes		<u>77,412.05</u>	<u>77,412.05</u>
Unrestricted	<u>171,839.81</u>	<u>245,851.38</u>	<u>417,691.19</u>
TOTAL NET POSITION	<u>171,839.81</u>	<u>323,263.43</u>	<u>495,103.24</u>

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Expense) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	70,494.02	3,170.00			(67,324.02)		(67,324.02)
Public Safety	20,696.70		2,616.80		(18,079.90)		(18,079.90)
Public Works	51,916.96		12,100.23		(39,816.73)		(39,816.73)
Health and Welfare	1,777.93		1,390.00		(387.93)		(387.93)
Culture and Recreation	40,637.94				(40,637.94)		(40,637.94)
Conservation and Development	5,443.70				(5,443.70)		(5,443.70)
Miscellaneous Disbursements		1,958.26			1,958.26		1,958.26
Total Governmental Activities	190,967.25	5,128.26	16,107.03	0.00	(169,731.96)		(169,731.96)
Business-type Activities:							
Water	892,569.36	122,059.02		874,229.49		103,719.15	103,719.15
Sewer	963,679.81	91,059.68		785,940.13		(86,680.00)	(86,680.00)
Liquor	308,530.47	327,467.15				18,936.68	18,936.68
Total Business-Type Activities	2,164,779.64	540,585.85	0.00	1,660,169.62		35,975.83	35,975.83
Total Primary Government	2,355,746.89	545,714.11	16,107.03	1,660,169.62	(169,731.96)	35,975.83	(133,756.13)
General Receipts:							
Taxes:							
Property Taxes					106,157.18		106,157.18
Sales Taxes					109,361.68		109,361.68
State Shared Receipts					4,241.22		4,241.22
Unrestricted Investment Earnings					351.27	925.15	1,276.42
Miscellaneous Receipts					10,581.82		10,581.82
Total General Receipts					230,693.17	925.15	231,618.32
Change in Net Position					60,961.21	36,900.98	97,862.19
Net Position - Beginning					110,878.60	286,362.45	397,241.05
NET POSITION - ENDING					171,839.81	323,263.43	495,103.24

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	171,839.81
TOTAL ASSETS	171,839.81
FUND BALANCES:	
Assigned for Next Year's Budget	1,300.00
Assigned for Capital Improvements	28,008.95
Unassigned	142,530.86
TOTAL FUND BALANCES	171,839.81

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Receipts:			
Taxes:			
General Property Taxes	104,891.49		104,891.49
General Sales and Use Taxes	103,919.69	5,441.99	109,361.68
Amusement Taxes	48.00		48.00
Penalties & Interest on Delinquent Taxes	1,217.69		1,217.69
Total Taxes	210,076.87	5,441.99	215,518.86
Licenses and Permits	1,000.00	0.00	1,000.00
Intergovernmental Receipts:			
Federal Grants	1,390.00		1,390.00
State Grants	2,616.80		2,616.80
State Shared Receipts:			
Bank Franchise Tax	1,629.52		1,629.52
Prorate License Fees	275.70		275.70
Liquor Tax Reversion	2,611.70		2,611.70
Motor Vehicle Licenses	4,229.22		4,229.22
Local Government Highway and Bridge Fund	6,866.80		6,866.80
County Shared Receipts:			
County Road Tax	193.73		193.73
County Wheel Tax	534.78		534.78
Other Intergovernmental Revenues	3,816.98		3,816.98
Total Intergovernmental Receipts	24,165.23	0.00	24,165.23
Charges for Goods and Services:			
General Government	195.00		195.00
Other	1,015.00		1,015.00
Total Charges for Goods and Services	1,210.00	0.00	1,210.00
Miscellaneous Receipts:			
Investment Earnings	349.56	1.71	351.27
Rentals	960.00		960.00
Liquor Operating Agreement Income	1,958.26		1,958.26
Other	1,521.00		1,521.00
Total Miscellaneous Receipts	4,788.82	1.71	4,790.53
Total Receipts	241,240.92	5,443.70	246,684.62
Disbursements:			
General Government:			
Legislative	3,258.99		3,258.99
Executive	1,762.53		1,762.53
Financial Administration	33,607.97		33,607.97
Other	31,864.53		31,864.53
Total General Government	70,494.02	0.00	70,494.02

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Disbursements: (continued)			
Public Safety:			
Police	15,057.50		15,057.50
Fire	5,639.20		5,639.20
Total Public Safety	20,696.70	0.00	20,696.70
Public Works:			
Highways and Streets	38,576.66		38,576.66
Total Public Works	38,576.66	0.00	38,576.66
Health and Welfare:			
Health	1,777.93		1,777.93
Total Health and Welfare	1,777.93	0.00	1,777.93
Culture and Recreation:			
Parks	29,137.94		29,137.94
Libraries	6,000.00		6,000.00
Community Center	5,500.00		5,500.00
Total Culture and Recreation	40,637.94	0.00	40,637.94
Conservation and Development:			
Economic Development and Assistance (Industrial Development)		5,443.70	5,443.70
Total Conservation and Development	0.00	5,443.70	5,443.70
Debt Service	13,340.30	0.00	13,340.30
Total Disbursements	185,523.55	5,443.70	190,967.25
Excess Receipts Over (Under) Disbursements	55,717.37	0.00	55,717.37
Other Financing Sources (Uses):			
Sale of Municipal Property	5,243.84		5,243.84
Total Other Financing Sources (Uses)	5,243.84	0.00	5,243.84
Net Change in Fund Cash Balance	60,961.21	0.00	60,961.21
Fund Cash Balance - Beginning	110,878.60	0.00	110,878.60
FUND CASH BALANCE- ENDING	171,839.81	0.00	171,839.81

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	143,559.53	141,128.27	38,575.63	323,263.43
Total Current Assets	143,559.53	141,128.27	38,575.63	323,263.43
TOTAL ASSETS	143,559.53	141,128.27	38,575.63	323,263.43
NET POSITION:				
Restricted for:				
Debt Service Purposes	28,555.14	48,856.91		77,412.05
Unrestricted Net Position	115,004.39	92,271.36	38,575.63	245,851.38
TOTAL NET POSITION	143,559.53	141,128.27	38,575.63	323,263.43

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
Operating Receipts:				
Charges for Goods and Services	101,628.34	56,089.55	317,601.42	475,319.31
Revenue Dedicated to Servicing Debt	20,430.68	34,970.13		55,400.81
Lottery Sales			8,500.34	8,500.34
Miscellaneous			1,365.39	1,365.39
Total Operating Receipts	122,059.02	91,059.68	327,467.15	540,585.85
Operating Disbursements:				
Personal Services	36,349.87	43,587.36	112,771.24	192,708.47
Other Current Disbursements	5,127.75	19,335.82	52,291.03	76,754.60
Materials	45,359.10		143,468.20	188,827.30
Capital Assets	805,732.64	900,756.63		1,706,489.27
Total Operating Disbursements	892,569.36	963,679.81	308,530.47	2,164,779.64
Operating Income (Loss)	(770,510.34)	(872,620.13)	18,936.68	(1,624,193.79)
Nonoperating Receipts (Disbursements):				
Operating Grants	158,059.49	490,452.13		648,511.62
Investment Earnings	389.76	481.78	53.61	925.15
Long-Term Debt Issued	663,434.00	348,224.00		1,011,658.00
Total Nonoperating Receipts (Disbursements)	821,883.25	839,157.91	53.61	1,661,094.77
Change in Net Net Position	51,372.91	(33,462.22)	18,990.29	36,900.98
Net Position - Beginning	92,186.62	174,590.49	19,585.34	286,362.45
NET POSITION - ENDING	143,559.53	141,128.27	38,575.63	323,263.43

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	<u>110,878.60</u>	<u>286,362.45</u>	<u>397,241.05</u>
TOTAL ASSETS	110,878.60	286,362.45	397,241.05
NET POSITION:			
Restricted for:			
Debt Service Purposes		<u>22,011.24</u>	<u>22,011.24</u>
Unrestricted	<u>110,878.60</u>	<u>264,351.21</u>	<u>375,229.81</u>
TOTAL NET POSITION	<u>110,878.60</u>	<u>286,362.45</u>	<u>397,241.05</u>

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Expense) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	93,808.70	1,625.00			(92,183.70)		(92,183.70)
Public Safety	38,075.66	33.04			(38,042.62)		(38,042.62)
Public Works	56,434.78		12,139.92		(44,294.86)		(44,294.86)
Health and Welfare	1,462.00				(1,462.00)		(1,462.00)
Culture and Recreation	30,236.33				(30,236.33)		(30,236.33)
Conservation and Development	5,649.17				(5,649.17)		(5,649.17)
Miscellaneous Disbursements		1,629.06			1,629.06		1,629.06
Total Governmental Activities	225,666.64	3,287.10	12,139.92	0.00	(210,239.62)		(210,239.62)
Business-type Activities:							
Water	132,900.27	102,886.70				(30,013.57)	(30,013.57)
Sewer	86,381.34	67,083.05				(19,298.29)	(19,298.29)
Liquor	289,514.46	283,695.59				(5,818.87)	(5,818.87)
Total Business-Type Activities	508,796.07	453,665.34	0.00	0.00		(55,130.73)	(55,130.73)
Total Primary Government	734,462.71	456,952.44	12,139.92	0.00	(210,239.62)	(55,130.73)	(265,370.35)
General Receipts:							
Taxes:							
Property Taxes					102,220.39		102,220.39
Sales Taxes					104,898.16		104,898.16
State Shared Receipts					4,244.10		4,244.10
Grants and Contributions not Restricted to Specific Programs					3,900.00		3,900.00
Unrestricted Investment Earnings					234.23	699.06	933.29
Debt Issued						56,280.00	56,280.00
Miscellaneous Receipts					5,256.72		5,256.72
Total General Receipts					220,753.60	56,979.06	277,732.66
Change in Net Position					10,513.98	1,848.33	12,362.31
Net Position - Beginning					96,692.62	284,514.12	381,206.74
Adjustments:							
Compensation for Damage to Capital Assets					3,672.00		3,672.00
Adjusted Net Position-Beginning					100,364.62	284,514.12	384,878.74
NET POSITION - ENDING					110,878.60	286,362.45	397,241.05

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

**MUNICIPALITY OF IRENE
BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014**

	General Fund
ASSETS:	
Cash and Cash Equivalents	<u>110,878.60</u>
TOTAL ASSETS	<u><u>110,878.60</u></u>
FUND BALANCES:	
Assigned for Capital Improvements	<u>28,008.95</u>
Unassigned	<u>82,869.65</u>
TOTAL FUND BALANCES	<u><u>110,878.60</u></u>

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Liquor, Lodging & Dining Gross Receipts Tax Fund	Total Governmental Funds
Receipts:			
Taxes:			
General Property Taxes	101,463.58		101,463.58
General Sales and Use Taxes	99,250.78	5,647.38	104,898.16
Amusement Taxes	108.00		108.00
Penalties & Interest on Delinquent Taxes	648.81		648.81
Total Taxes	201,471.17	5,647.38	207,118.55
Licenses and Permits	790.00	0.00	790.00
Intergovernmental Receipts:			
State Shared Receipts:			
Bank Franchise Tax	1,257.31		1,257.31
Prorate License Fees	52.28		52.28
Liquor Tax Reversion	2,986.79		2,986.79
Motor Vehicle Licenses	4,234.74		4,234.74
Local Government Highway and Bridge Fund	6,760.58		6,760.58
County Shared Receipts:			
County Road Tax	597.07		597.07
County Wheel Tax	495.25		495.25
Other Intergovernmental Revenues	3,775.68		3,775.68
Total Intergovernmental Receipts	20,159.70	0.00	20,159.70
Charges for Goods and Services:			
General Government	130.00		130.00
Other	345.00		345.00
Total Charges for Goods and Services	475.00	0.00	475.00
Fines and Forfeits:			
Court Fines and Costs	33.04		33.04
Total Fines and Costs	33.04	0.00	33.04
Miscellaneous Receipts:			
Investment Earnings	232.44	1.79	234.23
Rentals	360.00		360.00
Contributions and Donations from Private Sources	3,900.00		3,900.00
Liquor Operating Agreement Income	1,629.06		1,629.06
Other	1,481.04		1,481.04
Total Miscellaneous Receipts	7,602.54	1.79	7,604.33
Total Receipts	230,531.45	5,649.17	236,180.62
Disbursements:			
General Government:			
Legislative	3,906.22		3,906.22
Executive	1,724.17		1,724.17
Financial Administration	42,267.20		42,267.20
Other	45,911.11		45,911.11
Total General Government	93,808.70	0.00	93,808.70

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Liquor, Lodging & Dining Gross Receipts Tax Fund</u>	<u>Total Governmental Funds</u>
Disbursements: (continued)			
Public Safety:			
Police	32,311.23		32,311.23
Fire	5,764.43		5,764.43
Total Public Safety	38,075.66	0.00	38,075.66
Public Works:			
Highways and Streets	43,082.49		43,082.49
Sanitation	11.99		11.99
Total Public Works	43,094.48	0.00	43,094.48
Health and Welfare:			
Health	1,462.00		1,462.00
Total Health and Welfare	1,462.00	0.00	1,462.00
Culture and Recreation:			
Parks	17,021.25		17,021.25
Libraries	6,000.00		6,000.00
Community Center	5,000.00		5,000.00
Total Culture and Recreation	28,021.25	0.00	28,021.25
Conservation and Development:			
Economic Development and Assistance (Industrial Development)		5,649.17	5,649.17
Total Conservation and Development	0.00	5,649.17	5,649.17
Debt Service	15,555.38	0.00	15,555.38
Total Disbursements	220,017.47	5,649.17	225,666.64
Excess Receipts Over (Under) Disbursements	10,513.98	0.00	10,513.98
Other Financing Sources (Uses):			
Compensation for Loss or Damage to Capital Assets	3,672.00		3,672.00
Total Other Financing Sources (Uses)	3,672.00	0.00	3,672.00
Net Change in Fund Cash Balance	14,185.98	0.00	14,185.98
Fund Cash Balance - Beginning	96,692.62	0.00	96,692.62
FUND CASH BALANCE- ENDING	110,878.60	0.00	110,878.60

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	92,186.62	174,590.49	19,585.34	286,362.45
Total Current Assets	92,186.62	174,590.49	19,585.34	286,362.45
TOTAL ASSETS	92,186.62	174,590.49	19,585.34	286,362.45
NET POSITION:				
Restricted for:				
Revenue Bond Debt Service	8,124.46	13,886.78		22,011.24
Unrestricted Net Position	84,062.16	160,703.71	19,585.34	264,351.21
TOTAL NET POSITION	92,186.62	174,590.49	19,585.34	286,362.45

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

MUNICIPALITY OF IRENE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Liquor Fund	
Operating Receipts:				
Charges for Goods and Services	94,762.24	53,196.27	272,389.01	420,347.52
Revenue Dedicated to Servicing Debt	8,124.46	13,886.78		22,011.24
Lottery Sales			9,830.27	9,830.27
Miscellaneous			1,476.31	1,476.31
Total Operating Receipts	102,886.70	67,083.05	283,695.59	453,665.34
Operating Disbursements:				
Personal Services	35,497.51	42,994.35	121,332.02	199,823.88
Other Current Disbursements	12,929.86	10,676.99	65,644.23	89,251.08
Materials	44,196.90		102,538.21	146,735.11
Capital Assets	40,276.00	32,710.00		72,986.00
Total Operating Disbursements	132,900.27	86,381.34	289,514.46	508,796.07
Operating Income (Loss)	(30,013.57)	(19,298.29)	(5,818.87)	(55,130.73)
Nonoperating Receipts (Disbursements):				
Investment Earnings	201.45	452.06	45.55	699.06
Long-Term Debt Issued	41,043.00	15,237.00		56,280.00
Total Nonoperating Receipts (Disbursements)	41,244.45	15,689.06	45.55	56,979.06
Change in Net Net Position	11,230.88	(3,609.23)	(5,773.32)	1,848.33
Net Position - Beginning	80,955.74	178,199.72	25,358.66	284,514.12
NET POSITION - ENDING	<u>92,186.62</u>	<u>174,590.49</u>	<u>19,585.34</u>	<u>286,362.45</u>

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

The Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

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, receipts, and disbursements. 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, receipts, or disbursements 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, receipts, or disbursements of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

See Independent Auditor's Report.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

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.

Liquor Fund – to account for the operation of an on-sale and/or off-sale municipal liquor store. (SDCL 35-3-21) This is a major fund.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

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

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

Basis of Accounting:

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

The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

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

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

d. 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.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

e. Long-Term Liabilities:

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

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

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

f. Program Receipts:

Program receipts derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program receipts 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.

g. Proprietary Funds Receipts and Disbursement Classifications:

In the proprietary fund's Statement of Receipts, Disbursements and Changes in Fund Cash Net Position, receipts and disbursements 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 receipts and disbursements.

h. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in the following components:

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

<u>Major Special Revenue Fund</u> Gross Receipts Tax Fund	<u>Revenue Source</u> Sales Tax
--	------------------------------------

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

	<u>Year Ended 12/31/2014</u>	<u>Year Ended 12/31/2015</u>
Gross Receipts Tax Fund:		
Economic Development & Assistance	\$ 849.17	\$ 445.41

The Municipality plans to take the following actions to address these violations: use contingency transfers and supplemental budgets when allowed by law.

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

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

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

Deposits are reported at cost plus interest, if the account is of the add-on type.

Investments - In general, SDCL 4-5-6 permits Municipality funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government, provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above and meeting the requirements of Section 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

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

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

4. PROPERTY TAXES

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

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

5. RESTRICTED NET POSITION

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

<u>Purpose:</u>	<u>Restricted By</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
Major Funds:			
Water Fund	Debt Covenants	8,124.46	28,555.14
Sewer Fund	Debt Covenants	13,886.78	48,856.91
		<u>22,011.24</u>	<u>77,412.05</u>

6. WATER PURCHASE AGREEMENT

In 1997, the Municipality of Irene entered into a 20-year purchase agreement with B-Y Water to provide water to the Municipality. A monthly service charge in the amount of \$209 is paid by the city to B-Y Water along with a charge of \$3.10 per 1,000 gallons of water consumed. The monthly service charge represents a contribution by the city to aid B-Y Water in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality’s Water Fund.

7. RETIREMENT PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

- If the SDRS market value funded ratio is 100% or more -- 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded ---- 2.1% minimum and 2.8% maximum COLA
 - 80.0% to 90.0% funded ---- 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ration 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 \$8,141.30, \$8,855.38, and \$9,049.54, respectively, equal to the required contributions each year.

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

Pension Liabilities (Assets):

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

Proportionate share of net position restricted for pension benefits	\$ 780,824.52
Less proportionate share of total pension liability	<u>\$ 750,093.86</u>
Proportionate share of net pension liability (asset)	<u>\$ (30,730.66)</u>

The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was .0072456%, which is a decrease of .0015785% from its proportion measured as of June 30, 2014.

Actuarial Assumptions:

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

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

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

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

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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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)	\$ 77,348.73	\$(30,730.66)	\$(118,860.09)

Pension Plan Fiduciary Net Position:

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

8. SIGNIFICANT CONTINGENCIES - LITIGATION

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

9. 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

NOTES TO THE CASH BASIS FINANCIAL STATEMENTS
(Continued)

employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$500 per person or \$500 per family. The plan also provides for coinsurance of 90 percent up to \$5,000.

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 of 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, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual and 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 during the past three years.

Unemployment Benefits:

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

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Receipts:				
Taxes:				
General Property Taxes	112,455.00	112,455.00	104,891.49	(7,563.51)
General Sales and Use Taxes	93,000.00	93,000.00	103,919.69	10,919.69
Amusement Taxes	140.00	140.00	48.00	(92.00)
Penalties and Interest on Delinquent Taxes	300.00	300.00	1,217.69	917.69
Total Taxes	205,895.00	205,895.00	210,076.87	4,181.87
Licenses and Permits	800.00	800.00	1,000.00	200.00
Intergovernmental Receipts:				
Federal Grants	0.00	0.00	1,390.00	1,390.00
State Grants	0.00	0.00	2,616.80	2,616.80
State Shared Receipts:				
Bank Franchise Tax	1,250.00	1,250.00	1,629.52	379.52
Prorate License Fees	80.00	80.00	275.70	195.70
Liquor Tax Reversion	2,900.00	2,900.00	2,611.70	(288.30)
Motor Vehicle Licenses	4,000.00	4,000.00	4,229.22	229.22
Local Government Highway and Bridge Fund	6,000.00	6,000.00	6,866.80	866.80
County Shared Receipts:				
County Road Tax	580.00	580.00	193.73	(386.27)
County Wheel Tax	500.00	500.00	534.78	34.78
Other Intergovernmental Receipts	3,750.00	3,750.00	3,816.98	66.98
Total Intergovernmental Receipts	19,060.00	19,060.00	24,165.23	5,105.23
Charges for Goods and Services:				
General Government	100.00	100.00	195.00	95.00
Other	100.00	100.00	1,015.00	915.00
Total Charges for Goods and Services	200.00	200.00	1,210.00	1,010.00
Miscellaneous Receipts:				
Investment Earnings	220.00	220.00	349.56	129.56
Rentals	360.00	360.00	960.00	600.00
Liquor Operating Agreement Income	2,400.00	2,400.00	1,958.26	(441.74)
Other	900.00	900.00	1,521.00	621.00
Total Miscellaneous Receipts	3,880.00	3,880.00	4,788.82	908.82
Total Receipts	229,835.00	229,835.00	241,240.92	11,405.92
Disbursements:				
General Government:				
Legislative	3,760.00	3,760.00	3,258.99	501.01
Contingency	10,000.00	10,000.00		
Amount Transferred		(7,000.00)		3,000.00
Executive	1,830.00	1,830.00	1,762.53	67.47
Elections	325.00	325.00	0.00	325.00
Financial Administration	35,695.00	35,695.00	33,607.97	2,087.03
Other	33,600.00	34,900.00	31,864.53	3,035.47
Total General Government	85,210.00	79,510.00	70,494.02	9,015.98

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Disbursements (Continued):				
Public Safety:				
Police	39,875.00	39,875.00	15,057.50	24,817.50
Fire	5,600.00	5,700.00	5,639.20	60.80
Total Public Safety	<u>45,475.00</u>	<u>45,575.00</u>	<u>20,696.70</u>	<u>24,878.30</u>
Public Works:				
Highways and Streets	47,885.00	47,885.00	38,576.66	9,308.34
Sanitation	300.00	300.00	0.00	300.00
Total Public Works	<u>48,185.00</u>	<u>48,185.00</u>	<u>38,576.66</u>	<u>9,608.34</u>
Health and Welfare:				
Health	800.00	1,800.00	1,777.93	22.07
Total Health and Welfare	<u>800.00</u>	<u>1,800.00</u>	<u>1,777.93</u>	<u>22.07</u>
Culture and Recreation:				
Parks	25,165.00	29,765.00	29,137.94	627.06
Libraries	6,000.00	6,000.00	6,000.00	0.00
Community Center	5,500.00	5,500.00	5,500.00	0.00
Total Culture and Recreation	<u>36,665.00</u>	<u>41,265.00</u>	<u>40,637.94</u>	<u>627.06</u>
Debt Service	<u>13,500.00</u>	<u>13,500.00</u>	<u>13,340.30</u>	<u>159.70</u>
Total Disbursements	<u>229,835.00</u>	<u>229,835.00</u>	<u>185,523.55</u>	<u>44,311.45</u>
Excess of Receipts Over (Under) Disbursements	<u>0.00</u>	<u>0.00</u>	<u>55,717.37</u>	<u>55,717.37</u>
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	5,243.84	5,243.84
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>5,243.84</u>	<u>5,243.84</u>
Net Change in Fund Cash Balances	<u>0.00</u>	<u>0.00</u>	<u>60,961.21</u>	<u>60,961.21</u>
Fund Cash Balance - Beginning	<u>110,878.60</u>	<u>110,878.60</u>	<u>110,878.60</u>	<u>0.00</u>
FUND CASH BALANCE - ENDING	<u>110,878.60</u>	<u>110,878.60</u>	<u>171,839.81</u>	<u>60,961.21</u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING AND DINING GROSS RECEIPTS TAX 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>		
Receipts:				
Taxes:				
General Sales and Use Taxes	5,000.00	5,000.00	5,443.70	443.70
Total Taxes	5,000.00	5,000.00	5,443.70	443.70
Miscellaneous Receipts:				
Investment Earnings	0.00	0.00	1.71	1.71
Total Miscellaneous Receipts	0.00	0.00	1.71	1.71
Total Receipts	5,000.00	5,000.00	5,445.41	445.41
Disbursements:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,000.00	5,000.00	5,445.41	(445.41)
Total Conservation and Development	5,000.00	5,000.00	5,445.41	(445.41)
Total Disbursements	5,000.00	5,000.00	5,445.41	(445.41)
Net Change in Fund Cash Balances	0.00	0.00	0.00	0.00
Fund Cash Balance - Beginning	0.00	0.00	0.00	0.00
FUND CASH BALANCE - ENDING	0.00	0.00	0.00	0.00

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
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		
Receipts:				
Taxes:				
General Property Taxes	103,810.00	103,810.00	101,463.58	(2,346.42)
General Sales and Use Taxes	96,000.00	96,000.00	99,250.78	3,250.78
Amusement Taxes	140.00	140.00	108.00	(32.00)
Penalties and Interest on Delinquent Taxes	300.00	300.00	648.81	348.81
Total Taxes	200,250.00	200,250.00	201,471.17	1,221.17
Licenses and Permits	1,000.00	1,000.00	790.00	(210.00)
Intergovernmental Receipts:				
State Shared Receipts:				
Bank Franchise Tax	1,200.00	1,200.00	1,257.31	57.31
Prorate License Fees	80.00	80.00	52.28	(27.72)
Liquor Tax Reversion	2,800.00	2,800.00	2,986.79	186.79
Motor Vehicle Licenses	3,000.00	3,000.00	4,234.74	1,234.74
Local Government Highway and Bridge Fund	6,000.00	6,000.00	6,760.58	760.58
County Shared Receipts:				
County Road Tax	580.00	580.00	597.07	17.07
County Wheel Tax	450.00	450.00	495.25	45.25
Other Intergovernmental Receipts	4,000.00	4,000.00	3,775.68	(224.32)
Total Intergovernmental Receipts	18,110.00	18,110.00	20,159.70	2,049.70
Charges for Goods and Services:				
General Government	200.00	200.00	130.00	(70.00)
Other	0.00	0.00	345.00	345.00
Total Charges for Goods and Services	200.00	200.00	475.00	275.00
Fines and Forfeits:				
Court Fines and Costs	50.00	50.00	33.04	(16.96)
Total Fines and Forfeits	50.00	50.00	33.04	(16.96)
Miscellaneous Receipts:				
Investment Earnings	250.00	250.00	232.44	(17.56)
Rentals	360.00	360.00	360.00	0.00
Contributions and Donations from Private Sources	0.00	3,900.00	3,900.00	0.00
Liquor Operating Agreement Income	2,400.00	2,400.00	1,629.06	(770.94)
Other	1,200.00	1,200.00	1,481.04	281.04
Total Miscellaneous Receipts	4,210.00	8,110.00	7,602.54	(507.46)
Total Receipts	223,820.00	227,720.00	230,531.45	2,811.45
Disbursements:				
General Government:				
Legislative	4,070.00	4,070.00	3,906.22	163.78
Contingency	10,000.00	10,000.00		
Amount Transferred		(8,175.00)		1,825.00
Executive	1,860.00	1,860.00	1,724.17	135.83
Elections	325.00	325.00	0.00	325.00
Financial Administration	39,935.00	42,935.00	42,267.20	667.80
Other	39,000.00	46,872.00	45,911.11	960.89
Total General Government	95,190.00	97,887.00	93,808.70	4,078.30

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL 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>		
Disbursements (Continued):				
Public Safety:				
Police	50,150.00	50,150.00	32,311.23	17,838.77
Fire	4,800.00	5,800.00	5,764.43	35.57
Total Public Safety	<u>54,950.00</u>	<u>55,950.00</u>	<u>38,075.66</u>	<u>17,874.34</u>
Public Works:				
Highways and Streets	54,810.00	54,810.00	43,082.49	11,727.51
Sanitation	300.00	300.00	11.99	288.01
Total Public Works	<u>55,110.00</u>	<u>55,110.00</u>	<u>43,094.48</u>	<u>12,015.52</u>
Health and Welfare:				
Health	800.00	1,475.00	1,462.00	13.00
Total Health and Welfare	<u>800.00</u>	<u>1,475.00</u>	<u>1,462.00</u>	<u>13.00</u>
Culture and Recreation:				
Parks	16,040.00	19,240.00	17,021.25	2,218.75
Libraries	6,000.00	6,000.00	6,000.00	0.00
Community Center	5,000.00	5,000.00	5,000.00	0.00
Total Culture and Recreation	<u>27,040.00</u>	<u>30,240.00</u>	<u>28,021.25</u>	<u>2,218.75</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,000.00	5,000.00	0.00	5,000.00
Total Conservation and Development	<u>5,000.00</u>	<u>5,000.00</u>	<u>0.00</u>	<u>5,000.00</u>
Debt Service	<u>15,730.00</u>	<u>15,730.00</u>	<u>15,555.38</u>	<u>174.62</u>
Total Disbursements	<u>253,820.00</u>	<u>261,392.00</u>	<u>220,017.47</u>	<u>41,374.53</u>
Excess of Receipts Over (Under) Disbursements	<u>(30,000.00)</u>	<u>(33,672.00)</u>	<u>10,513.98</u>	<u>44,185.98</u>
Other Financing Sources (Uses):				
Compensation for Loss or Damage to Capital Assets	0.00	3,672.00	3,672.00	0.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>3,672.00</u>	<u>3,672.00</u>	<u>0.00</u>
Net Change in Fund Cash Balances	<u>(30,000.00)</u>	<u>(30,000.00)</u>	<u>14,185.98</u>	<u>44,185.98</u>
Fund Cash Balance - Beginning	<u>96,692.62</u>	<u>96,692.62</u>	<u>96,692.62</u>	<u>0.00</u>
FUND CASH BALANCE - ENDING	<u><u>66,692.62</u></u>	<u><u>66,692.62</u></u>	<u><u>110,878.60</u></u>	<u><u>44,185.98</u></u>

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF IRENE
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING AND DINING GROSS RECEIPTS TAX FUND
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Receipts:				
Taxes:				
General Sales and Use Taxes	4,800.00	4,800.00	5,647.38	847.38
Total Taxes	4,800.00	4,800.00	5,647.38	847.38
Miscellaneous Receipts:				
Investment Earnings	0.00	0.00	1.79	1.79
Total Miscellaneous Receipts	0.00	0.00	1.79	1.79
Total Receipts	4,800.00	4,800.00	5,649.17	849.17
Disbursements:				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	4,800.00	4,800.00	5,649.17	(849.17)
Total Conservation and Development	4,800.00	4,800.00	5,649.17	(849.17)
Total Disbursements	4,800.00	4,800.00	5,649.17	(849.17)
Net Change in Fund Cash Balances	0.00	0.00	0.00	0.00
Fund Cash Balance - Beginning	0.00	0.00	0.00	0.00
FUND CASH BALANCE - ENDING	0.00	0.00	0.00	0.00

NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting

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

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

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

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

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

NOTE 2. GAAP/Budgetary Accounting Basis Differences

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

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/15	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable - Curb & Gutter	60,100.00		23,782.06	36,317.94	11,963.06
Notes Payable - Lawn Mower	2,146.10		2,146.10	0.00	0.00
Total Governmental Activities	<u>62,246.10</u>	<u>0.00</u>	<u>25,928.16</u>	<u>36,317.94</u>	<u>11,963.06</u>
Business-Type Activities					
Bonds Payable:					
Drinking Water # 2	0.00	704,477.00	531,175.00	173,302.00	1,988.41
Clean Water # 1	0.00	363,461.00		363,461.00	3,719.21
Total Business-Type Activities	<u>0.00</u>	<u>1,067,938.00</u>	<u>531,175.00</u>	<u>536,763.00</u>	<u>5,707.62</u>
TOTAL PRIMARY GOVERNMENT	<u>62,246.10</u>	<u>1,067,938.00</u>	<u>557,103.16</u>	<u>573,080.94</u>	<u>17,670.68</u>

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

Notes Payable:

Curb & Gutter Project, \$ 36,317.94
 Maturity Date July 15, 2018, Interest Rate 3.950%,
 Paid by General Fund

Revenue Bonds:

SRF Drinking Water # 2 Bonds – Series 2014, \$ 173,302.00
 Interest Rate 3.00%, Maturity Date May 15, 2046,
 Paid by Water Fund

SRF Clean Water # 1 Bonds – Series 2014, \$ 363,461.00
 Interest Rate 3.25%, Maturity Date May 15, 2046,
 Paid by Sewer Fund

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments of \$315,252.27, are as follows:

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

Year Ending Dec. 31,	Notes Payable - Merchants State Bank - Curb & Gutter		SRF Drinking Water # 2, Series 2014	
	Principal	Interest	Principal	Interest
2016	11,963.06	1,377.24	1,988.41	2,867.67
2017	12,446.83	893.47	4,067.07	5,645.09
2018	11,908.05	390.15	4,190.46	5,521.70
2019			4,317.60	5,394.56
2020			4,448.58	5,263.58
2021-2025			24,351.24	24,209.56
2026-2030			28,276.26	20,284.54
2031-2035			32,833.92	15,726.88
2026-2040			38,126.25	10,434.55
2041-2045			44,271.61	4,289.19
2046-2050			4,801.60	54.09
Totals	<u>36,317.94</u>	<u>2,660.86</u>	<u>191,673.00</u>	<u>99,691.41</u>
			*	*

Year Ending Dec. 31,	SRF Clean Water # 1, Series 2014		TOTALS	
	Principal	Interest	Principal	Interest
2016	3,719.21	6,062.55	17,670.68	10,307.46
2017	7,621.47	11,942.05	24,135.37	18,480.61
2018	7,872.20	11,691.32	23,970.71	17,603.17
2019	8,131.19	11,432.33	12,448.79	16,826.89
2020	8,398.69	11,164.83	12,847.27	16,428.41
2021-2025	46,324.31	51,493.29	70,675.55	75,702.85
2026-2030	54,462.43	43,355.17	82,738.69	63,639.71
2031-2035	64,030.15	33,787.45	96,864.07	49,514.33
2026-2040	75,278.72	22,538.88	113,404.97	32,973.43
2041-2045	88,503.40	9,314.20	132,775.01	13,603.39
2046-2050	9,663.23	117.93	14,464.83	172.02
Totals	<u>374,005.00</u>	<u>212,900.00</u>	<u>601,995.94</u>	<u>315,252.27</u>
	*	*		

* Note: Totals on these two bonds reflect the actual final amortization schedule after the additional advances including those received in 2016.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
December 31, 2014 and 2015

	<u>TOTAL</u> <u>GRANT AWARD</u>	<u>EXPENDED</u> <u>2015</u>
<u>South Dakota Consolidated</u> <u>Water Facilities Construction</u>	<u>\$ 1,000,000.00</u>	<u>\$348,224.00</u>

Program-Grant No. 2015G-106