

CITY OF JAVA
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

**CITY OF JAVA
CITY OFFICIALS
DECEMBER 31, 2010**

President:

Jerome Lee

Governing Board:

Gene Buechler
Ward Ferguson
Yvonne Helm

Finance Officer:

Donna Bieber

Attorney:

Rick Cain

CITY OF JAVA

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CITY OF JAVA

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

WILLIAM J BACHMEIER, CPA
DAVID S ANDERSON, CPA
ROSEMARY MUELLER, CPA
ROY R FAUTH, CPA

PROFESSIONAL BUILDING
210 EAST GRAND CROSSING • PO Box 460
MOBRIDGE, SOUTH DAKOTA 57601
605-845-3658 • 605-845-3754 (FAX)
Email: kba@westriv.com

WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

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

City Council
City of Java
Java, South Dakota

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Java, South Dakota, as of December 31, 2010, and for the year then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 6, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2010-03 through 2010-06 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2010-01, 2010-02, 2010-07 and 2010-08.

The City of Java's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management of the City in a separate communication dated September 6, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the City of Java, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is a matter of public record and its distribution is not limited.

Kohlman, Beinhart & Anderson, LLP

September 6, 2011

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PARTNERS

WILLIAM J BACHMEIER, CPA
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PROFESSIONAL BUILDING
210 EAST GRAND CROSSING • PO BOX 460
MOBRIDGE, SOUTH DAKOTA 57601
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Email: kba@westriv.com

WITH OFFICES IN
LEMMON, SOUTH DAKOTA
MILLER, SOUTH DAKOTA

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditors' Report

City Council
City of Java
Java, South Dakota

Compliance

We have audited the City of Java, South Dakota compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2010. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Java, South Dakota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2010-01 and 2010-02.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2010-01 and 2010-02 to be material weaknesses.

The City of Java's responses to the findings identified are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the City of Java, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Kohlman, Beierbach & Anderson, LLP

September 6, 2011

CITY OF JAVA
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010

PRIOR AUDIT FINDINGS:

The City has no written prior audit findings.

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2010-03 through 2010-06.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards:

- d. Material weaknesses were disclosed for internal control over major federal programs affecting the Cash Management and Equipment and Real Property compliance requirements discussed in findings 2010-01 and 2010-02.
- e. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit disclosed audit findings that are required to be disclosed in accordance with the Office of Management and Budget Circular A-133, §.510(a). See finding 2010-01 and 2010-02.
- g. The federal award tested as a major program was:
 1. Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, CFDA# 14.228.
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. City of Java, South Dakota, did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings and Federal Compliance-Related Audit Findings - Material Weaknesses:

2010-01

The major federal program affected is Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii – CFDA #14.228, Federal Award Year 2010, U.S. Department of Housing and Urban Development.

Criteria

Fixed asset records should include comprehensive lists of all land, buildings, improvements and equipment that have a cost greater than the City's capitalization policy. The City's lists of such assets were found to be incomplete and lacking in supporting documentation.

Condition Found

Fixed asset records were inadequate.

Questioned Costs

There are no questioned costs involved.

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010
(Continued)

Recommendation

The City should conduct a comprehensive physical inventory of all fixed assets and update the subsidiary records accordingly. Costs (or estimated costs) of the assets should be properly documented.

Corrective Action Plan

The City agrees with the finding and is willing to accept this risk. The contact person for this finding is Jerome Lee, Board President.

2010-02

The major federal program affected is Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii – CFDA #14.228, Federal Award Year 2010, U.S. Department of Housing and Urban Development.

Criteria

The Cash Management compliance requirement requires recipients to have procedures to reduce the time between receipt and use of federal funds for funds that are advanced. When funds are provided on a cost reimbursement basis, program costs must be paid for with the City's funds before reimbursement is requested.

Condition Found

Reimbursement requests were submitted before funds were spent.

Questioned Costs

There are no questioned costs involved.

Recommendation

The City should verify federal program requirements and have procedures in place to assure compliance.

Corrective Action Plan

The City agrees with the finding and will pay closer attention to assure future compliance. The contact person for this finding is Jerome Lee, Board President. The anticipated completion date for this corrective action will be May 19, 2011.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2010-03

Criteria

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

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010
(Continued)

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, cash, budget, expenses and equity, which could result in errors not being found in a timely manner.

Other Information

The City of Java, South Dakota, has a limited number of employees who prepare all records for revenues, cash, budget, expenses and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of revenues, cash, budget, expenses and equity.

Corrective Action Plan

The City of Java has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, budget, expenses and equity. They are aware of the problem and are attempting to provide compensating controls wherever and whenever possible and practical. The Finance Officer, Donna Bieber, is responsible for the corrective action plan for this finding.

2010-04

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting - modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting - modified cash basis. As auditors, we were requested to draft the financial statements.

Effect

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

Recommendation

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

Corrective Action Plan

Both management and the City Council have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Finance Officer, Donna Bieber, is responsible for the corrective action plan for this finding.

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010
(Continued)

2010-05

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting - modified cash basis.

Condition Found

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

Effect

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

Recommendation

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

Corrective Action Plan

Both management and the City Council have been informed of this condition and are willing to accept this risk. The Finance Officer, Donna Bieber, is responsible for the corrective action plan for this finding.

2010-06

Criteria

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

Condition Found

A material weakness was reported for lack of documentation supporting revenue amounts for the municipal bar.

Recommendation

We recommend the City use the tapes from the cash register to document sales amounts. These should be reconciled by the bar employees and then again by the Finance Officer.

Corrective Action Plan

Both management and the City Council have been informed of this condition and plan to take corrective action as considered necessary. The contact person for this finding is Jerome Lee, Board President. The anticipated completion date for this corrective action will be May 19, 2011.

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010
(Continued)

COMPLIANCE AND OTHER MATTERS:

2010-07

Criteria

The City is responsible for complying with South Dakota Codified Law (SDCL) 9-21-9. This law states that neither the governing body nor any department or officer 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 Found

The 2010 year-end expenditures exceeded the budget in the General Fund and Sales Tax Fund, as per SDCL 9-21-9.

Effect

The City exceeded the approved budget for fiscal year 2010.

Recommendation

We recommend the City should implement controls to prevent budget overdrafts from occurring.

Corrective Action Plan

Both management and the City Council have been informed of this condition and the governing board plans to monitor these expenditures to prevent future issues and make amendments as considered necessary. The contact person for this finding is Jerome Lee, Board President. The anticipated completion date for this corrective action will be May 19, 2011.

2010-08

Criteria

The City is responsible for complying with South Dakota Codified Law (SDCL) 9-21-2. This law states that 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.

Condition Found

The City's Sales Tax Fund did not have an annual appropriations ordinance published, as per SDCL 9-21-2.

Effect

The City did not have a published budget for fiscal year 2010.

Recommendation

We recommend the City should comply with SDCL 9-21-2.

CITY OF JAVA
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010
(Continued)

Corrective Action Plan

Both management and the City Council have been informed of this condition and the governing board plans to monitor the appropriations ordinance to prevent future issues and make amendments as considered necessary. The contact person for this finding is Jerome Lee, Board President. The anticipated completion date for this corrective action will be May 19, 2011.

Closing Conference

The contents of this report were discussed with Donna Bieber, Finance Officer, and Ward Ferguson, Council Member, on May 19, 2011.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

WILLIAM J BACHMEIER, CPA
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LEMMON, SOUTH DAKOTA
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INDEPENDENT AUDITORS' REPORT

City Council
City of Java
Java, South Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Java, South Dakota, as of December 31, 2010, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.c to the financial statements, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, and each major fund of the City of Java, South Dakota, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.c to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedule on pages 28 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Changes in Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Kahlem, Bumpshel & Anderson, LLP

September 6, 2011

CITY OF JAVA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2010

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 93,649	\$ 45,116	\$ 138,765
Restricted cash and cash equivalents	-	8,263	8,263
TOTAL ASSETS	<u>\$ 93,649</u>	<u>\$ 53,379</u>	<u>\$ 147,028</u>
NET ASSETS:			
Restricted for:			
Debt Service Purposes	\$ -	\$ 8,263	\$ 8,263
Unrestricted	93,649	45,116	138,765
TOTAL NET ASSETS	<u>\$ 93,649</u>	<u>\$ 53,379</u>	<u>\$ 147,028</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF JAVA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 22,243	\$ 172	\$ -	\$ 2,420	\$ (19,651)	\$ -	\$ (19,651)
Public works	44,471	7,587	8,924	-	(27,960)	-	(27,960)
Culture and recreation	978	-	-	-	(978)	-	(978)
Total Governmental Activities	67,692	7,759	8,924	2,420	(48,589)	-	(48,589)
Business-Type Activities:							
Water	731,270	34,873	-	687,973	-	(8,424)	(8,424)
Sewer	24,501	15,804	-	8,000	-	(697)	(697)
Liquor	98,283	93,780	-	-	-	(4,503)	(4,503)
Cemetery	-	-	-	-	-	-	-
Community Center	6,745	976	-	2,504	-	(3,265)	(3,265)
Total Business-Type Activities	860,799	145,433	-	698,477	-	(16,889)	(16,889)
Total Primary Government	\$ 928,491	\$ 153,192	\$ 8,924	\$ 700,897	(48,589)	(16,889)	(65,478)
General Revenues:							
Taxes:							
					30,697	-	30,697
					21,184	-	21,184
					2,785	-	2,785
					472	327	799
					-	9,075	(9,075)
					2,291	-	2,291
Total General Revenues					57,429	9,402	48,681
Change in Net Assets					8,840	(7,487)	(16,797)
Net Assets - Beginning					84,809	60,866	145,675
Net Assets - Ending					\$ 93,649	\$ 53,379	\$ 147,028

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF JAVA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Sales Tax Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 15,207	\$ 78,442	\$ 93,649
TOTAL ASSETS	<u>\$ 15,207</u>	<u>\$ 78,442</u>	<u>\$ 93,649</u>
FUND BALANCES:			
Unreserved fund balances:			
Designated for next year's appropriation	\$ 5,000	\$ -	\$ 5,000
Undesignated	10,207	78,442	88,649
TOTAL FUND BALANCES	<u>\$ 15,207</u>	<u>\$ 78,442</u>	<u>\$ 93,649</u>

The Notes to the Financial Statements are an integral part of this Statement.

	General Fund	Sales Tax Fund	Total Governmental Funds
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(12,524)</u>	<u>21,364</u>	<u>8,840</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	16,000	-	(16,000)
Transfers out	<u>-</u>	<u>(16,000)</u>	<u>16,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,000</u>	<u>(16,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,476	5,364	8,840
FUND BALANCE - BEGINNING	<u>11,731</u>	<u>73,078</u>	<u>84,809</u>
FUND BALANCE - ENDING	<u>\$ 15,207</u>	<u>\$ 78,442</u>	<u>\$ 93,649</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF JAVA
BALANCE SHEET - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds					Totals
	Liquor Fund	Water Fund	Sewer Fund	Cemetery Fund	Community Center Fund	
ASSETS:						
Cash and cash equivalents	\$ 9,962	\$ 5,340	\$ 4,400	\$ 12,160	\$ 13,254	\$ 45,116
Restricted cash and cash equivalents	-	-	8,263	-	-	8,263
TOTAL ASSETS	<u>\$ 9,962</u>	<u>\$ 5,340</u>	<u>\$ 12,663</u>	<u>\$ 12,160</u>	<u>\$ 13,254</u>	<u>\$ 53,379</u>
NET ASSETS:						
Restricted net assets, restricted for:						
Debt Service	\$ -	\$ -	\$ 8,263	\$ -	\$ -	\$ 8,263
Unrestricted net assets	9,962	5,340	4,400	12,160	13,254	45,116
TOTAL NET ASSETS	<u>\$ 9,962</u>	<u>\$ 5,340</u>	<u>\$ 12,663</u>	<u>\$ 12,160</u>	<u>\$ 13,254</u>	<u>\$ 53,379</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF JAVA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds					Totals
	Liquor Fund	Water Fund	Sewer Fund	Cemetery Fund	Community Center Fund	
OPERATING REVENUE:						
Charges for goods and services	\$ 93,780	\$ 34,873	\$ 15,804	\$ -	\$ -	\$ 144,457
TOTAL OPERATING REVENUE	<u>93,780</u>	<u>34,873</u>	<u>15,804</u>	<u>-</u>	<u>-</u>	<u>144,457</u>
OPERATING EXPENSES:						
Personal services	30,301	7,326	6,960	-	249	44,836
Other current expenses	11,847	4,286	17,541	-	6,496	40,170
Materials (cost of goods sold)	56,135	13,055	-	-	-	69,190
Capital assets	-	706,603	-	-	-	706,603
TOTAL OPERATING EXPENSES	<u>98,283</u>	<u>731,270</u>	<u>24,501</u>	<u>-</u>	<u>6,745</u>	<u>860,799</u>
OPERATING LOSS	<u>(4,503)</u>	<u>(696,397)</u>	<u>(8,697)</u>	<u>-</u>	<u>(6,745)</u>	<u>(716,342)</u>
NONOPERATING REVENUE:						
Capital grants	-	687,973	8,000	-	-	695,973
Long-term debt issued	-	9,075	-	-	-	9,075
Rentals	-	-	-	-	976	976
Investment earnings	-	-	16	208	103	327
Other	-	-	-	-	2,504	2,504
TOTAL NONOPERATING REVENUE	<u>-</u>	<u>697,048</u>	<u>8,016</u>	<u>208</u>	<u>3,583</u>	<u>708,855</u>
CHANGE IN NET ASSETS	<u>(4,503)</u>	<u>651</u>	<u>(681)</u>	<u>208</u>	<u>(3,162)</u>	<u>(7,487)</u>
NET ASSETS - BEGINNING	<u>14,465</u>	<u>4,689</u>	<u>13,344</u>	<u>11,952</u>	<u>16,416</u>	<u>60,866</u>
NET ASSETS - ENDING	<u>\$ 9,962</u>	<u>\$ 5,340</u>	<u>\$ 12,663</u>	<u>\$ 12,160</u>	<u>\$ 13,254</u>	<u>\$ 53,379</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

a. Financial Reporting Entity:

The reporting entity of the City of Java 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 Assets 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 and services.

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

Fund Financial Statements:

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

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

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - (Continued)

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

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

Governmental Funds:

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

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

Sales Tax Fund - To account for the collection of sales tax revenue for which the tax will be used for the purposes of water, sewer, and street improvements to the City. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Liquor Fund - Financed primarily by user charges, this fund accounts for the municipal bar (SDCL 35-3-21). This is a major fund.

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

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

Cemetery Fund - Financed primarily by user charges, this fund accounts for the maintenance of the municipal cemetery (SDCL 9-38-2). This is a major fund.

Community Center Fund - Financed primarily by user charges, this fund accounts for the construction and maintenance of the municipal community center (SDCL 9-53-2). This is a major fund.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - (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" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

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

Measurement Focus:

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

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

Basis of Accounting:

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

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

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

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

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

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - (Continued)

d. Deposits and Investments:

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

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

e. Long-Term Liabilities:

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

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the fund financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. 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.

f. Program Revenues:

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

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

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets, 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 or expenses.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - (Continued)

h. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net assets and is displayed in two components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "reserved" and "unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

i. Application of Net Assets:

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

NOTE 2 - VIOLATIONS OF FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	Year End 12/30/10
General Fund:	
<u>Activity:</u>	
General Government - Other	\$ 6,348
Public Works - Highways and Streets	\$15,051
 Sales Tax Fund:	
<u>Activity:</u>	
Operating Transfers Out	\$16,000

The City plans to monitor expenditures more closely to prevent these violations in the future.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

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

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. All of the City's investments are in certificates of deposit with the First National Bank of McLaughlin.

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

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

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$8,263	For Debt Service, by debt covenants

NOTE 5 - PROPERTY TAXES

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

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 - (Continued)

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

NOTE 6 - RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute six percent of their salary to the plan, while public safety and judicial employees contribute at eight percent and nine percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City did not have any employees participating in the South Dakota Retirement System.

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010, were as follows:

<u>Transfers From:</u>	<u>Transfers to: General Fund</u>
Major Funds:	
Sales Tax Fund	\$ 16,000
Totals	<u>\$ 16,000</u>

The City typically budgets transfers to the General Fund to conduct the indispensable functions of the City.

NOTE 8 - LITIGATION

At December 31, 2010, the City was not involved in any litigation.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through September 6, 2011, the date on which the financial statements were available to be issued. Management has determined there are none.

CITY OF JAVA
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2010, the City managed its risks as follows:

Employee Health Insurance:

The City does not offer health insurance.

Liability Insurance:

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

Worker's Compensation:

The City purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the last three years.

Unemployment Benefits:

The City 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 OTHER THAN MD&A

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Highways and streets	19,756	19,756	34,807	(15,051)
Sanitation	10,500	10,500	8,994	1,506
Water	-	-	132	(132)
Cemeteries	-	-	538	(538)
Culture and Recreation:				
Parks	1,000	1,000	978	22
Libraries	100	100	-	100
TOTAL EXPENDITURES	<u>49,006</u>	<u>49,006</u>	<u>67,692</u>	<u>(18,686)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(5,000)</u>	<u>(5,000)</u>	<u>(12,524)</u>	<u>(7,524)</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>16,000</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>16,000</u>
NET CHANGE IN FUND BALANCES	(5,000)	(5,000)	3,476	8,476
FUND BALANCE - BEGINNING	<u>11,731</u>	<u>11,731</u>	<u>11,731</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,731</u>	<u>\$ 6,731</u>	<u>\$ 15,207</u>	<u>\$ 8,476</u>

CITY OF JAVA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
DECEMBER 31, 2010

NOTE 1 - Budgets and Budgetary Accounting

The City follows 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 City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with the modified cash basis of accounting.

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

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

SUPPLEMENTARY INFORMATION

CITY OF JAVA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2010
U.S. DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT:		
Direct Federal Funding:		
Water and Waste Disposal Systems for Rural Communities - ARRA (Note 2)	10.781	\$ <u>264,984</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT		<u>264,984</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Indirect Federal Funding:		
CDBG - State Administered Small Cities Program Cluster: South Dakota Governor's Office of Economic Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Note 2)	14.228	<u>368,500</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>368,500</u>
U.S. DEPARTMENT OF ENERGY:		
Indirect Federal Funding:		
South Dakota Department of Environment and Natural Resources Energy Efficiency and Conservation Block Grant Program	81.128	<u>2,420</u>
TOTAL U.S. DEPARTMENT OF ENERGY		<u>2,420</u>
GRAND TOTAL		<u>\$ 635,904</u>

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

NOTE 2: This represents a major federal financial assistance program.

CITY OF JAVA
SCHEDULE OF CHANGES IN LONG-TERM DEBT
YEAR ENDED DECEMBER 31, 2010

Indebtedness	Long-Term Debt 01/01/10	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/10
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	<u>\$ 48,622</u>	<u>\$ 9,075</u>	<u>\$ (843)</u>	<u>\$ 56,854</u>

CITY OF JAVA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	General Fund	Sales Tax Fund	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 30,428	\$ -	\$ 30,428
General sales and use taxes	-	21,184	21,184
Amusement taxes	48	-	48
Tax deed revenue	160	-	160
Penalties and interest on delinquent taxes	61	-	61
Licenses and Permits	172	-	172
Intergovernmental Revenue:			
Federal grants	2,420	-	2,420
State shared revenue:			
Bank franchise tax	1,552	-	1,552
Motor vehicle commercial prorate	681	-	681
Liquor tax reversion	1,233	-	1,233
Motor vehicle licenses (5%)	2,353	-	2,353
Local government highway and bridge fund	5,134	-	5,134
County shared revenue:			
County road tax (25%)	102	-	102
County highway and bridge reserve tax (25%)	17	-	17
County wheel tax	637	-	637
Charges for Goods and Services:			
Sanitation	7,587	-	7,587
Miscellaneous Revenue:			
Investment earnings	292	180	472
Other	2,291	-	2,291
TOTAL REVENUE	55,168	21,364	76,532
EXPENDITURES:			
General Government:			
Legislative	2,778	-	2,778
Elections	79	-	79
Financial administration	7,638	-	7,638
Other	11,748	-	11,748
Public Works:			
Highways and streets	34,807	-	34,807
Sanitation	8,994	-	8,994
Water	132	-	132
Cemeteries	538	-	538
Culture and Recreation:			
Parks	978	-	978
TOTAL EXPENDITURES	67,692	-	67,692

CITY OF JAVA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 31,316	\$ 31,316	\$ 30,428	\$ (888)
Amusement taxes	-	-	48	48
Tax deed revenue	-	-	160	160
Penalties and interest on delinquent taxes	-	-	61	61
Licenses and Permits	1,000	1,000	172	(828)
Intergovernmental Revenue:				
Federal grants	-	-	2,420	2,420
State shared revenue:				
Bank franchise tax	1,200	1,200	1,552	352
Motor vehicle commercial prorate	500	500	681	181
Liquor tax reversion	900	900	1,233	333
Motor vehicle licenses (5%)	1,600	1,600	2,353	753
Local government highway and bridge fund	1,500	1,500	5,134	3,634
County shared revenue:				
County road tax (25%)	200	200	102	(98)
County HBR tax (25%)	90	90	17	(73)
County wheel tax	700	700	637	(63)
Charges for Goods and Services:				
Sanitation	5,000	5,000	7,587	2,587
Miscellaneous Revenue:				
Investment earnings	-	-	292	292
Other	-	-	2,291	2,291
TOTAL REVENUE	<u>44,006</u>	<u>44,006</u>	<u>55,168</u>	<u>11,162</u>
EXPENDITURES:				
General Government:				
Legislative	2,675	2,675	2,778	(103)
Contingency	2,000	2,000		
Amount transferred		-		2,000
Elections	400	400	79	321
Financial administration	7,175	7,175	7,638	(463)
Other	5,400	5,400	11,748	(6,348)