

CITY OF KADOKA
KADOKA, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2015
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF KADOKA
KADOKA, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

FINANCIAL SECTION

- 1 Independent Auditor's Report

- 3 Management's Discussion and Analysis (MD&A)
(Supplementary Information)

Basic Financial Statements -- Modified Cash Basis:

Government-Wide Financial Statements:

- Statement of Net Position -- Modified Cash Basis
- 17 -- As of December 31, 2015
- Statement of Activities -- Modified Cash Basis
- 18 -- For the Year Ending December 31, 2015
- 19 -- For the Year Ending December 31, 2014

Fund Financial Statements:

Governmental Funds:

- Balance Sheet -- Modified Cash Basis
- 20 -- As of December 31, 2015
- Statement of Receipts, Disbursements, and Changes in Fund
Balances -- Modified Cash Basis
- 21 -- For the Year Ending December 31, 2015
- 22 -- For the Year Ending December 31, 2014

Enterprise Funds:

- Statement of Net Position -- Modified Cash Basis
- 23 -- As of December 31, 2015
- Statement of Receipts, Disbursements, and Changes in Net
Position -- Modified Cash Basis
- 24 -- For the Year Ending December 31, 2015
- 25 -- For the Year Ending December 31, 2014
- Statement of Cash Flows -- Modified Cash Basis
- 26 -- For the Year Ending December 31, 2015
- 27 -- For the Year Ending December 31, 2014

- 28 *Notes to the Financial Statements*

SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

Budgetary Comparison Schedules - Budgetary Basis:

- 39 General Fund -- December 31, 2015
- 40 General Fund -- December 31, 2014
- 41 2nd Cent Fund -- December 31, 2015
- 41 2nd Cent Fund -- December 31, 2014
- 42 3rd Cent Fund -- December 31, 2015
- 42 3rd Cent Fund -- December 31, 2014
- 43 Notes to Budgetary Comparison Schedules
- Pension Schedules:
- 44 Schedule of the City's Proportional Share of Net Pension Asset
- 44 Schedule of the City's Contributions

GOVERNMENTAL SECTION

- 45 Report on Compliance and Other Matters and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

- 47 Schedule of Prior Audit Findings
- 47 Schedule of Current Audit Findings

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.483.3225

Governing Board
City of Kadoka
Kadoka, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Kadoka (City), Jackson County, South Dakota 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 City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 judgement, including the assessment of the risk 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, and each major fund.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, business-type activities, and each major fund of the City of Kadoka, Jackson County, South Dakota, as of December 31, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended, in accordance with the modified cash basis of accounting described in Note 1c to the financial statements.

Other Matters - Basis of Accounting

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

Other Matters - Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Kadoka's financial statements.

The management's discussion and analysis (page 3 to 16), budgetary comparison schedules (page 39 to 43), schedule of net pension liability (asset) (page 44), and schedule of pension contributions (page 44) listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

I have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 45) dated August 5, 2016 on my test of the City's compliance with certain provisions of laws, regulations, contracts, and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

August 5, 2016



MUNICIPALITY OF KADOKA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Our discussion and analysis of the Municipality of Kadoka's financial performance provides an overview of the Municipality's financial activities for the fiscal year ended December 31, 2015, within the limitations of the Municipality's modified cash basis of accounting. Please read it in conjunction with the Municipality's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

Financial highlights for the City of Kadoka for the 2015 year are as follows:

- The City collected \$240,035.56 in property tax revenue, compared to \$265,029.97 collected in 2014, which was a decrease of \$24,994.41 or 9.43%. The City collected \$251,275.17 in sales tax revenue, compared to \$251,038.42 collected in 2014, which was an increase \$236.75 or less than 1%.
- The City collected \$39,314.07 in revenue from the 3rd penny sales tax, and spent \$27,456.12 on city advertising/promotions and other expenses. Revenues were up \$5,386.17 or 15.88% from 2014, and spending decreased \$30.25 or less than 1% from 2014. Overall, the fund's total revenues were \$11,857.95 more than the fund's total expenses.

The City of Kadoka spent:

- \$ 94,153.23 Sewer Line Repairs
- \$103,769.24 Street Improvement Projects, compared to \$87,615.00 in 2014
- \$ 58,735.00 Payments to West River Lyman Jones for the purchase of water for the City of Kadoka compared to \$59,341.25 in 2014
- \$ 10,115.15 Final Payments on the lease/purchase of a new John Deere Front-End Loader (60 month term – total purchase price \$121,381.80)

Additional financial highlights:

- Government Activity Funds had a profit of \$26,497.82 in 2015 compared to a loss of \$7,342.50 in 2014. Business Type Funds had a loss of \$75,271.73 in 2015 compared to a loss of \$44,220.42 in 2014. Overall, the City of Kadoka had a loss in all funds of \$48,773.91 in 2015 compared to a loss of \$51,562.92 in 2014. This overall loss was in primarily the result of unexpected sewer line repairs.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Municipality's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the Municipality using a government-wide focus (or "as a whole").

Fund Financial Statements: Fund financial statements (starting on page 10) focus on the individual parts of Municipal government. Fund financial statements also report the Municipality's operations in more detail than the government-wide statements by providing information about the Municipality's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer financial information about the activities the Municipality operates like businesses, such as water and sewer services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedules (starting on page 20) represent supplementary financial information. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statement"). The Budgetary Comparison Schedule is presented on a budgetary basis of accounting whereby capital outlay expenditures are reported within the respective functions rather than as a separate capital outlay function.

Basis of Accounting

The Municipality has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Municipality's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Municipality as a Whole

The Municipality's Reporting Entity Presentation

This annual report includes all activities for which the Municipality of Kadoka's Municipal Council is fiscally responsible. These activities, defined as the Municipality's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Municipality of Kadoka

The Government-Wide Statement of Net Position and the Statement of Activities

The government-wide financial statements are presented on pages 8 and 9. One of the most important questions asked about the Municipality's finances is, "Is the Municipality as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Municipality as a whole and about its activities in a way that helps answer this question. These statements include all of the Municipality's assets resulting from the use of the modified cash basis of accounting.

These two statements report the Municipality's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Municipality's net position as one way to measure the Municipality's financial health or financial position. Over time, increases or decreases in the Municipality's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the Municipality into two kinds of activities:

Governmental activities: Most of the Municipality's basic services are reported here, including the police, general government, streets, auditorium and parks. Sales taxes, property taxes, rents, fees and interest earnings finance most of these activities.

Business-type activities: The Municipality charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Municipality's water, sewer and solid waste systems, and the liquor store and bar are reported here.

Reporting the Municipality's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds-not the Municipality as a whole. Some funds are required to be established by State law and by bond covenants. However, the Municipal Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Municipality has two kinds of funds - *governmental and proprietary*.

Governmental funds - Most of the Municipality's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and

the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Municipality's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. The Municipality considers the General Fund, the 3B's Sales Tax Fund, and the Street Sales Tax to be its governmental funds.

Proprietary funds - When the Municipality charges customers for the services it provides, these services are generally reported in proprietary funds. The Municipality's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information.

The Municipality currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position - Modified Cash Basis (Figures are highlighted in table below)

The Municipality's combined net position, resulting from modified cash basis transactions, decreased from \$1,783,829.10 in 2014 to \$1,735,055.19 in 2015. This decrease was primarily due to sewer line repairs. Net position of the municipality's governmental activities increased 1.60% while the net position of the municipality's business-type activities decreased 12.15%, for an over-all decrease in net position of 2.73%.

	Government Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	
Cash and Cash Equivalents	1,221,792.56	1,241,290.38	550,472.54	482,582.81	1,772,265.10	1,723,873.19	-2.73%
Restricted Assets:							
Cash and Cash Equivalents			11,564.00	11,182.00	11,564.00	11,182.00	-3.30%
Total Assets	1,221,792.56	1,241,290.38	562,036.54	493,764.81	1,783,829.10	1,735,055.19	-2.73%
Net Position:							
Restricted	123,667.83	135,589.02	11,564.00	11,182.00	135,231.83	146,771.02	8.53%
Unrestricted	1,098,124.73	1,105,701.36	550,472.54	482,582.81	1,648,597.27	1,588,284.17	-3.66%
Total Net Position	1,221,792.56	1,241,290.38	562,036.54	493,764.81	1,783,829.10	1,735,055.19	-2.73%

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Municipality's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2015, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$632,755.96. Of these total expenses, taxpayers and other general revenues funded \$520,040.21, while \$49,533.08 was funded from grants and other contributions and \$63,182.67 from charges for services.

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2014	2015		2014	2015	
General Government	105,925.03	99,329.95	-6.23%	105,925.03	99,329.95	-6.23%
Public Safety	135,255.99	91,158.91	-32.60%	132,073.99	91,158.91	-30.98%
Public Works	223,927.19	231,833.60	3.53%	176,516.08	182,300.52	3.28%
Health & Welfare	3,956.76	4,299.42	8.66%	3,956.76	4,299.42	8.66%
Culture & Recreation	204,455.30	163,562.80	-20.00%	200,983.36	160,114.48	-20.33%
Conservation & Development	32,425.87	32,456.13	0.09%	32,425.87	32,456.13	0.09%
Debt Service	24,276.36	10,115.15	-58.33%	24,276.36	10,115.15	-58.33%
Miscellaneous Expenditures		-		(56,834.07)	(59,734.35)	5.10%
Total:	730,222.50	632,755.96	-13.35%	619,323.38	520,040.21	-16.03%

Business-Type Activities

The business-type activities' net (expense)/revenue resulting from the modified cash basis transactions reflect revenues of \$618,533.72 and expenditures and net transfers of \$686,805.45, resulting in an increase in total fund balances of \$68,271.73.

A FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

In 2015, the sewer fund was the only fund within the City of Kadoka that operated at a deficit. Overall, the net position of the City decreased 2.73%. Again, this decrease is primarily due to sewer line repairs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2016, the Municipality's budget is fairly consistent with previous years. Any known projects to be completed during 2015 are included within the budget.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Municipal Finance Office at 705 9th Ave., Municipality of Kadoka, SD 57543 or telephone at (605) 837-2229.

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

Our discussion and analysis of the Municipality of Kadoka's financial performance provides an overview of the Municipality's financial activities for the fiscal year ended December 31, 2014, within the limitations of the Municipality's modified cash basis of accounting. Please read it in conjunction with the Municipality's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

Financial highlights for the City of Kadoka for the 2014 year are as follows:

- The City received \$63,990.93 for the final payment on an insurance claim for hail damage to city property
- The City collected \$33,927.90 in revenue from the 3rd penny sales tax, and spent \$20,530.00 on city advertising/promotions. Revenues were up 9.80% from 2013, and spending decreased 3.46% from 2013. Overall, the fund's total revenues were \$6,502.03 more than the fund's total expenses.
- The City collected \$265,029.97 in property tax revenue, compared to \$238,008.01 collected in 2013, which was an increase of 11.35%. The City collected \$251,038.42 in sales tax revenue, compared to \$244,675.38 collected in 2013, which was an increase of 2.60%.

The City of Kadoka spent:

- \$141,858.04 Hail Damage Repairs
- \$ 73,064.00 Water Tower Repairs
- \$ 87,615.00 Street Improvement Projects, compared to \$67,925.77 in 2013
- \$ 59,341.25 Payments to West River Lyman Jones for the purchase of water for the City of Kadoka compared to \$62,250.00 in 2013
- \$ 24,276.36 Payments on the lease/purchase of a new John Deere Front-End Loader (60 month term – total purchase price \$121,381.80; balance remaining of \$10,115.15)

Additional financial highlights:

- Government Activity Funds had a loss in 2014 of \$7,342.50 compared to a profit of \$185,249.77 in 2013. Business Type Funds had a loss of \$44,220.42 in 2014 compared to a profit of \$53,472.49 in 2012. Overall, the City of Kadoka had a loss in all funds of \$51,562.92 in 2014 compared to a profit of \$238,722.26 in 2013. This overall loss was in part the result of unexpected water tower repairs; and hail damage repairs completed in 2014 but the majority of insurance proceeds were received in 2013.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Municipality's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the Municipality using a government-wide focus (or "as a whole").

Fund Financial Statements: Fund financial statements (starting on page 10) focus on the individual parts of Municipal government. Fund financial statements also report the Municipality's operations in more detail than the government-wide statements by providing information about the Municipality's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer financial information about the activities the Municipality operates like businesses, such as water and sewer services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and the Budgetary Comparison Schedules (starting on page 20) represent supplementary financial information. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statement"). The Budgetary Comparison Schedule is presented on a budgetary basis of accounting whereby capital outlay expenditures are reported within the respective functions rather than as a separate capital outlay function.

Basis of Accounting

The Municipality has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Municipality's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments.

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 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Municipality as a Whole

The Municipality's Reporting Entity Presentation

This annual report includes all activities for which the Municipality of Kadoka's Municipal Council is fiscally responsible. These activities, defined as the Municipality's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Municipality of Kadoka

The Government-Wide Statement of Net Position and the Statement of Activities

The government-wide financial statements are presented on pages 8 and 9. One of the most important questions asked about the Municipality's finances is, "Is the Municipality as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Municipality as a whole and about its activities in a way that helps answer this question. These statements include all of the Municipality's assets resulting from the use of the modified cash basis of accounting.

These two statements report the Municipality's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Municipality's net position as one way to measure the Municipality's financial health or financial position. Over time, increases or decreases in the Municipality's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the Municipality into two kinds of activities:

Governmental activities: Most of the Municipality's basic services are reported here, including the police, general government, streets, auditorium and parks. Sales taxes, property taxes, rents, fees and interest earnings finance most of these activities.

Business-type activities: The Municipality charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Municipality's water, sewer and solid waste systems, and the liquor store and bar are reported here.

Reporting the Municipality's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds-not the Municipality as a whole. Some funds are required to be established by State law and by bond covenants. However, the Municipal Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Municipality has two kinds of funds - *governmental and proprietary*.

Governmental funds - Most of the Municipality's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and

the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Municipality's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs. The Municipality considers the General Fund, the 3B's Sales Tax Fund, and the Street Sales Tax to be its governmental funds.

Proprietary funds - When the Municipality charges customers for the services it provides, these services are generally reported in proprietary funds. The Municipality's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information.

The Municipality currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

Net Position - Modified Cash Basis (Figures are highlighted in table below)

The Municipality's combined net position, resulting from modified cash basis transactions, decreased from \$1,835,392.02 in 2013 to \$1,783,829.10 in 2014. This decrease was primarily due water tower repairs and hail damage repairs. Net position of the municipality's governmental activities decreased 4.07% while the net position of the municipality's business-type activities decreased .05%, for an over-all decrease in net position of 2.81%.

	Government Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	
Cash and Cash Equivalents	1,273,615.06	1,221,792.56	550,992.96	550,472.54	1,824,608.02	1,772,265.10	-2.87%
Restricted Assets:							
Cash and Cash Equivalents			10,784.00	11,564.00	10,784.00	11,564.00	7.23%
Total Assets	1,273,615.06	1,221,792.56	561,776.96	562,036.54	1,835,392.02	1,783,829.10	-2.81%
Net Position:							
Restricted	117,107.86	123,667.83	10,784.00	11,564.00	127,891.86	135,231.83	5.74%
Unrestricted	1,156,507.20	1,098,124.73	550,992.96	550,472.54	1,707,500.16	1,648,597.27	-3.45%
Total Net Position	1,273,615.06	1,221,792.56	561,776.96	562,036.54	1,835,392.02	1,783,829.10	-2.81%

Changes in Net Position-Modified Cash Basis

For the year ended December 31, 2014, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

	Government Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	
Revenues							
Program Revenues:							
Charges for Services	58,657.92	60,358.01	613,886.16	644,391.59	672,544.08	704,749.60	4.79%
Operating Grants and Contributions	41,621.20	47,411.11			41,621.20	47,411.11	13.91%
Capital Grants and Contributions		3,130.00					
General Revenues:							
Property Tax	246,339.44	275,919.66			246,339.44	275,919.66	12.01%
Sales Tax	275,573.87	284,966.32			275,573.87	284,966.32	3.41%
State Shared Revenue	7,555.13	7,568.88			7,555.13	7,568.88	0.18%
Grants and Contributions not Restricted to Specific Programs	85.00	75.00					
Investment Income	575.03	620.93	254.78	264.34	829.81	885.27	6.68%
Miscellaneous	14.99	15.00			14.99	15.00	0.07%
Compensation for Loss	157,450.86	42,815.09	35,261.36	21,175.84	192,712.22	63,990.93	
Transfers	(4,176.92)	(44,480.00)	4,176.92	44,480.00	-	-	
Total Revenues	783,696.52	678,400.00	653,579.22	710,311.77	1,437,190.74	1,385,506.77	-3.60%
Expenses:							
General Government	95,439.65	105,925.03			95,439.65	105,925.03	10.99%
Public Safety	86,102.38	135,255.99			86,102.38	135,255.99	57.09%
Public Works	184,128.16	223,927.19			184,128.16	223,927.19	21.61%
Health and Welfare	3,534.46	3,956.76			3,534.46	3,956.76	11.95%
Culture & Recreation	176,165.13	204,455.30			176,165.13	204,455.30	16.06%
Conservation & Development	32,977.53	32,425.87			32,977.53	32,425.87	-1.67%
Debt Service	24,276.36	24,276.36			24,276.36	24,276.36	0.00%
Water			160,676.51	212,357.51	160,676.51	212,357.51	32.16%
Sewer			20,450.62	42,677.82	20,450.62	42,677.82	108.69%
Liquor			376,403.96	371,085.17	376,403.96	371,085.17	-1.41%
Solid Waste			38,398.75	83,931.69	38,398.75	83,931.69	118.58%
Total Expenses:	602,623.67	730,222.50	595,929.84	710,052.19	1,198,553.51	1,440,274.69	20.17%
Excess (deficiency) Before Transfers							
Contributions							
Special Items							
Extraordinary Items							
Transfers							
Change in Net Position:	181,072.85	(51,822.50)	57,649.41	259.58	238,722.26	(51,562.92)	-121.60%
Net Position-Beginning:	1,092,542.21	1,273,615.06	504,127.55	561,776.96	1,596,669.76	1,835,392.02	
Ending Net Position:	1,273,615.06	1,221,792.56	561,776.96	562,036.54	1,835,392.02	1,783,829.10	-2.81%

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Municipality's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2014, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$730,222.50. Of these total expenses, taxpayers and other general revenues funded \$619,323.38, while \$50,541.11 was funded from grants and other contributions and \$60,358.01 from charges for services.

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2013	2014		2013	2014	
General Government	95,439.65	105,925.03	10.99%	95,197.36	105,925.03	11.27%
Public Safety	86,102.38	135,255.99	57.09%	86,102.38	132,073.99	53.39%
Public Works	184,128.16	223,927.19	21.61%	142,506.96	176,516.08	23.86%
Health & Welfare	3,534.46	3,956.76	11.95%	3,534.46	3,956.76	11.95%
Culture & Recreation	176,165.13	204,455.30	16.06%	172,704.98	200,983.36	16.37%
Conservation & Development	32,977.53	32,425.87	-1.67%	32,977.53	32,425.87	-1.67%
Debt Service	24,276.36	24,276.36	0.00%	24,276.36	24,276.36	0.00%
Miscellaneous Expenditures				(54,955.48)	(56,834.07)	3.42%
Total:	602,623.67	730,222.50	21.17%	502,344.55	619,323.38	23.29%

Business-Type Activities

The business-type activities' net (expense)/revenue resulting from the modified cash basis transactions reflect revenues of \$710,311.77 and expenditures and net transfers of \$710,052.19, resulting in an increase in total fund balances of \$259.58.

A FINANCIAL ANALYSIS OF THE MUNICIPALITY'S FUNDS

In 2014, the water fund was the only fund within the City of Kadoka that operated at a deficit. Overall, the net position of the City decreased 2.81%. Again, this decrease is primarily due to water tower repairs and hail damage repairs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2015, the Municipality's budget is fairly consistent with previous years. Any known projects to be completed during 2015 are included within the budget.

CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT

This report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Municipality's finances and to demonstrate the Municipality's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Municipal Finance Office at 705 9th Ave., Municipality of Kadoka, SD 57543 or telephone at (605) 837-2229.

CITY OF KADOKA

GOVERNMENT-WIDE
 STATEMENT OF NET POSITION -- MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Petty cash	100	8,728	8,828
Checking	736,541	209,019	945,560
Certificates of deposit:			
Less than 90 days	504,649	264,835	769,484
Restricted assets:			
Checking		11,182	11,182
Total assets	1,241,290	493,764	1,735,054
	=====	=====	=====
NET POSITION			
Restricted for:			
2nd cent uses	41,884		41,884
3rd cent uses	93,705		93,705
Meter deposits		11,182	11,182
Unrestricted	1,105,701	482,582	1,588,283
Total net position	1,241,290	493,764	1,735,054
	=====	=====	=====

See accompanying notes.

CITY OF KADOKA

BALANCE SHEET -- MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2015

	General Fund	2nd Cent (Streets) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
	-----	-----	-----	-----
ASSETS				
Petty Cash	100			100
Checking	661,128		75,413	736,541
Certificates of deposit:				
Less than 90 days	444,473	41,884	18,292	504,649
	-----	-----	-----	-----
Total assets	1,105,701	41,884	93,705	1,241,290
	=====	=====	=====	=====
FUND BALANCE				
Nonspendable				0
Restricted		41,884	93,705	135,589
Committed				0
Assigned				0
Unassigned	1,105,701			1,105,701
	-----	-----	-----	-----
Total fund balance	1,105,701	41,884	93,705	1,241,290 *
	=====	=====	=====	=====

* Also equals net assets on statement of net position.

See accompanying notes.

CITY OF KADOKA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES -- MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2015

	General Fund	2nd Cent (Streets) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
Receipts:				
Receipts from local sources:				
Taxes:				
Ad valorem taxes	240,035			240,035
General sales and use taxes	251,275		39,314	290,589
Gross receipts tax	7,646			7,646
Amusement taxes	120			120
Penalties and interest	1,421			1,421
Licenses and permits:	3,722			3,722
Intergovernmental receipts:				
State shared receipts:				
Bank franchise tax	1,841			1,841
Commercial prorate	4,234			4,234
Liquor tax revision	4,067			4,067
Motor vehicle licenses (5%)	9,146			9,146
Highway and bridge	30,842			30,842
County shared receipts:				
County road tax	5,312			5,312
Charges for goods and services:				
Culture and recreation	3,448			3,448
Fines and forfeits:	0			0
Miscellaneous receipts:				
Interest received	740	45	19	804
Rents	56,012			56,012
Other	15			15
Total receipts	619,876	45	39,333	659,254
Disbursements:				
General government:				
Mayor and Council	21,354			21,354
Elections	818			818
Financial administration	66,464			66,464
Other	8,729			8,729
Public safety:				
Police	67,509			67,509
Fire	19,688			19,688
Public works:				
Highways and streets	113,475			113,475
Airport	2,089			2,089
Health and welfare:				
Mosquito spraying	1,299			1,299
Ambulance	3,000			3,000
Culture and recreation:				
Recreation	38,982			38,982
Parks	13,275			13,275
Auditorium	101,194			101,194
Museum	1,616			1,616
Conservation and development:				
Economic development	5,000		27,456	32,456
Debt service	10,115			10,115
Capital outlay	130,693			130,693
Total disbursements	605,300	0	27,456	632,756
Excess of receipts over (under) disbursements	14,576	45	11,877	26,498
Other financing sources (uses):				
Transfers in	5,000			5,000
Transfers (out)	(12,000)			(12,000)
Net change in fund balances	7,576	45	11,877	19,498 *
Fund balances:				
January 1, 2015	1,098,125	41,839	81,828	1,221,792
December 31, 2015	1,105,701	41,884	93,705	1,241,290

* Also equals change in net position on statement of activities.

See accompanying notes.

CITY OF KADOKA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES -- MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	General Fund	2nd Cent (Streets) Fund	3rd Cent (Promotion) Fund	Total Governmental Funds
Receipts:				
Receipts from local sources:				
Taxes:				
Ad valorem taxes	265,030			265,030
General sales and use taxes	251,038		33,928	284,966
Gross receipts tax	6,753			6,753
Amusement taxes	120			120
Penalties and interest	4,017			4,017
Licenses and permits:	3,399			3,399
Intergovernmental receipts:				
Federal grant: police	3,130			3,130
State shared receipts:				
Bank franchise tax	2,687			2,687
Commercial prorate	4,215			4,215
Liquor tax revision	4,882			4,882
Motor vehicle licenses (5%)	10,636			10,636
Highway and bridge	30,365			30,365
County shared receipts:				
County road tax	2,195			2,195
Charges for goods and services:				
Culture and recreation	3,472			3,472
Fines and forfeits:	52			52
Miscellaneous receipts:				
Interest received	563	40	18	621
Rents	53,435			53,435
Donations	75			75
Other	15			15
Total receipts	646,079	40	33,946	680,065
Disbursements:				
General government:				
Mayor and Council	20,500			20,500
Elections	44			44
Financial administration	71,532			71,532
Other	11,685			11,685
Public safety:				
Police	65,370			65,370
Fire	63,461			63,461
Public works:				
Highways and streets	134,154			134,154
Airport	2,158			2,158
Health and welfare:				
Animal control	91			91
Mosquito spraying	866			866
Ambulance	3,000			3,000
Culture and recreation:				
Recreation	32,227			32,227
Parks	12,510			12,510
Auditorium	158,634			158,634
Museum	1,084			1,084
Conservation and development:				
Economic development	5,000		27,426	32,426
Debt service	24,276			24,276
Capital outlay	96,204			96,204
Total disbursements	702,796	0	27,426	730,222
Excess of receipts over (under) disbursements	(56,717)	40	6,520	(50,157)
Other financing sources (uses):				
Transfers in	5,000			5,000
Transfers (out)	(49,480)			(49,480)
Compensation for property damage	42,815			42,815
Net change in fund balances	(58,382)	40	6,520	(51,822) *
Fund balances:				
January 1, 2014	1,156,507	41,799	75,308	1,273,614
December 31, 2014	1,098,125	41,839	81,828	1,221,792

* Also equals change in net position on statement of activities.

See accompanying notes.

CITY OF KADOKA

STATEMENT OF NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2015

	Liquor Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS					
Current assets:					
Petty cash	8,548	30		150	8,728
Checking	121,833	12,329	134	74,723	209,019
Certificates of deposit:					
Less than 90 days	226,914		37,921		264,835
Noncurrent assets:					
Checking		11,182			11,182
Total assets	357,295	23,541	38,055	74,873	493,764
NET POSITION					
Restricted					
Meter deposits		11,182			11,182
Unrestricted	357,295	12,359	38,055	74,873	482,582
Total net position	357,295	23,541	38,055	74,873	493,764

See accompanying notes.

CITY OF KADOKA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2015

	Liquor Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	373,854	147,847	31,881	55,925	609,507
Videc lottery	1,758				1,758
Total operating receipts	375,612	147,847	31,881	55,925	611,265
Operating disbursements:					
Personal services	77,522	40,529	8,867	13,016	139,934
Other current services	40,108	38,081	141,474	11,866	231,529
Cost of goods sold	234,461	58,735		18,535	311,731
Capital assets	1,448	2,163			3,611
Total operating disbursements	353,539	139,508	150,341	43,417	686,805
Total operating income (loss)	22,073	8,339	(118,460)	12,508	(75,540)
Nonoperating receipts (disbursements):					
Interest earnings	231		37		268
Total nonoperating receipts (disbursements)	231	0	37	0	268
Income (loss) before transfers and compensation for property damage	22,304	8,339	(118,423)	12,508	(75,272)
Transfers in			34,000		34,000
Transfers (out)	(17,000)			(10,000)	(27,000)
Compensation for property damage					0
Change in net cash assets	5,304	8,339	(84,423)	2,508	(68,272)
Net position:					
January 1, 2015	351,991	15,202	122,478	72,365	562,036
December 31, 2015	357,295	23,541	38,055	74,873	493,764

See accompanying notes.

CITY OF KADOKA

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Liquor Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	412,252	123,814	29,006	57,322	622,394
Videc lottery	22,886				22,886
Total operating receipts	435,138	123,814	29,006	57,322	645,280
Operating disbursements:					
Personal services	75,766	45,696	8,365	13,445	143,272
Other current services	31,089	107,230	18,076	50,274	206,669
Cost of goods sold	264,230	59,431		20,213	343,874
Capital assets			16,237		16,237
Total operating disbursements	371,085	212,357	42,678	83,932	710,052
Total operating income (loss)	64,053	(88,543)	(13,672)	(26,610)	(64,772)
Nonoperating receipts (disbursements):					
Interest earnings	226		39		265
Total nonoperating receipts (disbursements)	226	0	39	0	265
Income (loss) before transfers and compensation for property damage	64,279	(88,543)	(13,633)	(26,610)	(64,507)
Transfers in		89,323			89,323
Transfers (out)	(44,843)				(44,843)
Compensation for property damage	8,012			12,274	20,286
Change in net cash assets	27,448	780	(13,633)	(14,336)	259
Net position:					
January 1, 2014	324,543	14,422	136,111	86,701	561,777
December 31, 2014	351,991	15,202	122,478	72,365	562,036

See accompanying notes.

CITY OF KADOKA

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2015

	Liquor Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	375,612	147,847	31,881	55,925	611,265
Payments to employees	(77,522)	(40,529)	(8,867)	(13,016)	(139,934)
Payments to suppliers	(274,569)	(96,816)	(141,474)	(30,401)	(543,260)
Payments for capital assets	(1,448)	(2,163)			(3,611)
Net cash provided (used) by operating activities	----- 22,073	----- 8,339	----- (118,460)	----- 12,508	----- (75,540)
Noncapital financing activities:					
Transfer in			34,000		34,000
Transfer out	(17,000)			(10,000)	(27,000)
Capital financing activities:					
None					0
Investing activities:					
Interest received	231		37		268
Net increase (decrease) in cash and cash equivalents	----- 5,304	----- 8,339	----- (84,423)	----- 2,508	----- (68,272)
Cash and cash equivalents:					
January 1, 2015	351,991	15,202	122,478	72,365	562,036
December 31, 2015	----- 357,295	----- 23,541	----- 38,055	----- 74,873	----- 493,764
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	22,073	8,339	(118,460)	12,508	(75,540)
Net cash provided (used) by operating activities	----- 22,073	----- 8,339	----- (118,460)	----- 12,508	----- (75,540)
Noncash investing, capital and financing activities: None					

See accompanying notes.

CITY OF KADOKA

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Liquor Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Cash flows from:					
Operating activities:					
Receipts from customers	435,138	123,814	29,006	57,322	645,280
Payments to employees	(75,766)	(45,696)	(8,365)	(13,445)	(143,272)
Payments to suppliers	(295,319)	(166,661)	(18,076)	(70,487)	(550,543)
Payments for capital assets			(16,237)		(16,237)
Net cash provided (used) by operating activities	64,053	(88,543)	(13,672)	(26,610)	(64,772)
Noncapital financing activities:					
Transfer in		89,323			89,323
Transfer out	(44,843)				(44,843)
Capital financing activities:					
Compensation for property damage	8,012			12,274	20,286
Investing activities:					
Interest received	226		39		265
Net increase (decrease) in cash and cash equivalents	27,448	780	(13,633)	(14,336)	259
Cash and cash equivalents:					
January 1, 2014	324,543	14,422	136,111	86,701	561,777
December 31, 2014	351,991	15,202	122,478	72,365	562,036
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	64,053	(88,543)	(13,672)	(26,610)	(64,772)
Net cash provided (used) by operating activities	64,053	(88,543)	(13,672)	(26,610)	(64,772)
Noncash investing, capital and financing activities: None					

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lake Preston uses a modified cash basis of accounting, which does not conform to generally accepted accounting principles applicable to government entities in the United States of America. See note 1c.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Kadoka's (City) Governing Board.

The City's officials at December 31, 2015 are:

Governing Board:	Finance Officer:
Harry Weller, Mayor	Patty Ulmen
Brad Jorgensen, President	
Arne Lund	Attorney:
Lenny Sanftner	Alvin Pahlke
Colby Shuck	
Ryan Willert	
John Word	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The City of Kadoka
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Kadoka consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

Based upon the application of these criteria, the City of Kadoka does not have a component unit.

The City does give sales tax dollars to the Kadoka Community Betterment Association. This organization is a separate legally entity that appoints its own officers, is fiscally independent (they determine their own budget, rates, and can issue debt), is not a separately created organization by the City, gives no on-going financial support to the City, the City is not entitled to access their assets, and their assets would not be significant to the City. Therefore, the Kadoka Community Betterment Association is not considered to be a component unit of the City of Kadoka.

b. Basis of Presentation:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

The Statement of Net Position reports all cash resources. Net position is displayed in two components, restricted (if any) and unrestricted.

The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of business-type activities of the City. 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 program 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:

The 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 cash assets, net position, receipts, and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

- a. Total cash assets, receipts, or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash assets, receipts, or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - A fund established by South Dakota Codified Law (SDCL) 4-11-6 to meet all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Fund Types - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has the following special revenue funds:

2nd Cent Fund - A fund maintained by the Council to account for 2nd cent sales tax dollars that were collected prior to 2004. This fund is restricted for street improvements and is a major fund.

3rd Cent (3B's) Fund - A fund allowed by SDCL 10-52-8 to account for the proceeds of the 3rd cent sales tax imposed on liquor, lodging and dining sales. This fund is used for promotion of the city and is a major fund.

Enterprise Funds:

Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Liquor Fund - A fund established by SDCL 35-3-21 to provide on-sale and off-sale liquor services. This fund also accounts for video lottery machine activity. This fund is a major fund.

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Kadoka. This fund is a major fund.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Kadoka. This fund is a major fund.

Solid Waste Fund - A fund established by SDCL 9-32-11 and 34A-6 to account for the collection and disposal of solid waste from the City of Kadoka. This fund is a major fund.

Fiduciary Funds:

The City of Kadoka has no fiduciary funds.

c. Basis of Accounting:

Basis of accounting refers to when revenues (receipts) and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements.

These financial statements are presented on a modified cash basis of accounting rather than a accrual/modified accrual basis of accounting. The cash basis has been modified by including certificates of deposit whose maturity when purchased is more than 90 days. Revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financial statements would be presented on the full accrual basis of accounting.

d. Program Receipts and General Receipts:

Program Receipts:

In the government-wide statement of cash activities, reported program receipts derive directly from the program itself or from parties other than the City'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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, rents, unrestricted receipts from other governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

e. Enterprise Fund Receipt and Disbursement Classifications:

In both the government-wide statements and fund financial statements, enterprise fund receipts and disbursements are classified in a manner consistent with how they are classified in the statement of cash flows. Accordingly, transactions in which 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.

f. Equity Classifications:

Government-wide Statements

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, 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 does not meet the definition of "restricted net position".

Fund Financial Statements

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund (if any) equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

Enterprise fund equity is classified the same as in the government-wide financial statements.

g. Cash and Cash Equivalents:

The City pools its cash resources for depositing and investing purposes, giving enterprise funds access to their cash resources on demand. Also, all certificates of deposit are for 90 days or less. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

h. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when a disbursement is incurred which can be charged to either restricted or unrestricted net position.

i. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements initially made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

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 City 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 (or modified or rescinded) by the government through formal action at 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 Council or the Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Kadoka fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	3rd Cent uses (promotion)	Statute	93,705
	2nd Cent uses (streets)	Statute	41,884
Committed	None		0
Assigned	None		0
Unassigned	General		1,105,701

			1,241,290

The City uses "restricted" and "committed" amounts first when 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 City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

<u>Special Revenue Fund:</u>	<u>Revenue Source:</u>
* 2nd cent sales tax fund	Interest only (see page 21 and 22)
* 3rd cent sales tax fund	Sales tax (see page 21 and 22)

2. DEPOSITS, INVESTMENTS AND RELATED RISKS

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 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. 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 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 the add-on type.

Actual bank balances at December 31, 2015 were as follows: Insured \$500,000, Collateralized ** \$1,253,069, for a total of \$1,753,069.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2015 was \$1,735,054 held as follows.

Bank West, (Kadoka, SD):	
Checking	\$ 956,742
Certificates of deposit (90 days or less)	769,484
Petty cash	8,828

	\$ 1,735,054
	=====

Investments - In general, SDCL 4-5-6 permits City money 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); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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. Investments (if any) are stated at cost or amortized cost plus accrued interest.

The City had no investments during 2014 or 2015.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment 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.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2015, the City's deposits in financial institutions were not exposed to deposit custodial risk.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty. The City had no investments during 2014 or 2015 and was not exposed to investment custodial risk.

Concentration of Credit Risk - the City places no limit on the amount that may be deposited or invested in any one institution.

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 deposits and investments to the fund making the investment.

3. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund: Purpose:	Restricted By:	Government-Wide	Business-Type
2nd cent: Streets	Law	41,884	0
3rd cent: Promotion	Law	93,705	0
Water: Meter deposits	Contract	0	11,182

4. INTERFUND TRANSFERS

The 2015 transfers "in" and "(out)" between funds were:

	Governmental	Enterprise	Reason
General to Sewer	(12,000)	12,000	Capital project
Liquor to General	5,000	(5,000)	Operations
Liquor to Sewer		(12,000)	Capital project
Sewer from Liquor		12,000	Capital project
Solid Waste to Sewer		(10,000)	Capital project
Sewer from Solid Waste		10,000	Capital project
	-----	-----	
	(7,000)	7,000	

The 2014 transfers "in" and "(out)" between funds were:

	Governmental	Enterprise	Reason
General to Water	(49,480)	49,480	Capital project
Liquor to General	5,000	(5,000)	Operations
Liquor to Water		(39,843)	Capital project
Water from Liquor		39,843	Capital project
	-----	-----	
	(44,480)	44,480	

5. LEASE/PURCHASE PURCHASE

On June 21, 2010 the City acquired a John Deere Front End Loader for \$109,050. Payments are \$2,023.03 a month for 60 months and have an imputed interest rate of 4.2982%. Effective principal and interest payments over the life of the lease were:

	Total	Principal	Interest	Remaining Balance	
2010	14,161	11,551	2,610	97,499	
2011	24,276	20,486	3,790	77,013	
2012	24,276	21,384	2,892	55,629	
2013	24,276	22,322	1,954	33,307	
2014	24,276	23,300	976	10,007	
2015	10,117	10,007	110	0	Paid-off
	-----	-----	-----		
	121,382	109,050	12,332		

6. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/ modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

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. 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. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or 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 the employee's final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 thereafter of the employee's 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 regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefit 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 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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

Contributions:

Per SDRS 3-12, contributions 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% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the years ending December 31, 2015, 2014, and 2013 were \$12,976, \$13,277, and \$13,658 (employer's share) respectively, equal to the required contribution each year.

Pension Liabilities (Assets):

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

Proportionate share of SDRS net position	
restricted for pension benefits	\$ 1,293,367
Less: proportionate share of total pension liability	1,242,464

Proportionate share of net pension liability (asset)	\$ (50,903)

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 City's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2015 the City's proportion was .0120017%, which is a decrease of .0008691% from its proportion as of June 30, 2014.

Actuarial Assumptions:

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Discount rate	7.25% through 2016 and 7.50% 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 of July 1, 2005 to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investments:

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 Standard (ie: the Council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see discussion of the pension plan's investment policy above) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%

	100.0%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 7.25% through 2016 and 7.50% thereafter. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to 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 Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
City's share of SDRS net pension liability (asset)	\$ 128,121 liability	\$ (50,903) asset	\$ (196,881) asset

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued South Dakota Retirement System financial report.

7. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the City's taxes and remits them to the City.

The City is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the City: a) general fund \$27.00; b) bond redemption funds: Amts required by Bond Agreements; c) judgment fund (upon a judgment being made) \$10.00. State statute allows the tax rates to be raised by special election of the voters.

8. INSURANCE

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 two years ending December 31, 2015 the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial carrier. The City does not carry additional health insurance coverage to pay claims in excess of an upper limit. Settled claims resulting from these risks have not exceeded coverage during the past three years.

Liability Insurance:

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

Airport Insurance:

The City purchases airport liability insurance from a commercial carrier. The City does not carry additional airport insurance coverage to pay claims in excess of an upper limit. Settled claims resulting from these risks have not exceeded coverage during the past three years.

Worker's Compensation:

The City purchases worker's compensation insurance from a commercial carrier. The City does not carry additional worker's compensation insurance coverage to pay claims in excess of an upper limit. Settled claims resulting from these risks have not exceeded coverage during the past 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. No unemployment payments were made during the two years ending December 31, 2015 and none are expected in 2016.

9. OTHER DISCLOSURES

The City has no short term or conduit debt.

The City does not operate a landfill. Solid waste is trucked to the Pierre landfill where normal tipping fees are paid.

The City has no unallowed related party activity.

The City is not involved in any significant litigation.

The City does not offer any "Other Post Employment Benefits".

The City is a member of the Central South Dakota Enhancement District. This District is a planning and economic and development district; that serves Haakon, Hughes, Hyde, Jackson, Jones, Stanley and Sully counties, plus municipalities within those counties. The City has no financial obligation to this district other than paying its annual dues, which are about \$700 a year.

In March 2016 the City accepted the low bid of \$128,361 for hot mix asphalt for the Main/Chestnut Street project.

In 2016 the City acquired a point-of-sale (POS) system for its bar operations, which is expected to be operational in 2017.

CITY OF KADOKA

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2015

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:	503,920			503,920	(503,920)
Ad valorem taxes				0	240,035
General sales and use taxes				0	251,275
Gross receipts tax				0	7,646
Amusement taxes				0	120
Penalties and interest				0	1,421
Licenses and permits:	4,585			4,585	3,722
Intergovernmental receipts:	53,200			53,200	(53,200)
State shared receipts:					
Bank franchise tax				0	1,841
Commercial pro rate				0	4,234
Liquor tax reversion				0	4,067
Motor vehicle licenses (5%)				0	9,146
Highway and bridge				0	30,842
County shared receipts:					
Road tax				0	5,312
Charges for goods and services:	6,250			6,250	(6,250)
Culture and recreation				0	3,448
Fines and forfeits:	100			100	0
Miscellaneous receipts:	79,637			79,637	(79,637)
Interest received				0	740
Rents				0	56,012
Other				0	15
Total receipts	647,692	0	0	647,692	619,876
Disbursements:					
General government:					
Mayor and Council	20,580	921		21,501	21,354
Contingency	15,000			15,000	15,000
Amount transferred		(1,536)		(1,536)	(1,536)
Elections	450	368		818	818
Financial administration	90,867			90,867	77,158
Public safety:					
Police	71,225			71,225	69,918
Fire	23,650			23,650	21,241
Public works:					
Highways and streets	237,190	247		237,437	229,744
Airport	3,725			3,725	2,089
Health and welfare:					
Health	1,400			1,400	1,299
Ambulance	3,000			3,000	3,000
Culture and recreation:					
Recreation	46,865			46,865	42,506
Parks	15,805			15,805	13,275
Auditorium	105,950			105,950	106,167
Museum	1,865			1,865	1,616
Economic development			5,000	5,000	5,000
Debt service	10,120			10,120	10,115
Total disbursements	647,692	0	5,000	652,692	605,300
Excess of receipts over (under) disbursements	0	0	(5,000)	(5,000)	14,576
Other financing sources (uses):					
Transfer in				0	5,000
Transfer out				0	(12,000)
Compensation for property damage				0	0
Net change in fund balance	0	0	(5,000)	(5,000)	7,576
Fund balance:					
January 1, 2015	1,098,125			1,098,125	1,098,125
December 31, 2015	1,098,125	0	(5,000)	1,093,125	1,105,701

CITY OF KADOKA

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental		
Receipts:					
Receipts from local sources:					
Taxes:	479,620			479,620	(479,620)
Ad valorem taxes				0	265,030
General sales and use taxes				0	251,038
Gross receipts tax				0	6,753
Amusement taxes				0	120
Penalties and interest				0	4,017
Licenses and permits:	4,260			4,260	3,399
Intergovernmental receipts:	48,700			48,700	(48,700)
Federal grant: police				0	3,130
State shared receipts:					
Bank franchise tax				0	2,687
Commercial pro rate				0	4,215
Liquor tax reversion				0	4,882
Motor vehicle licenses (5%)				0	10,636
Highway and bridge				0	30,365
County shared receipts:					
Road tax				0	2,195
Charges for goods and services:	6,250			6,250	(6,250)
Culture and recreation				0	3,472
Fines and forfeits:	100			100	52
Miscellaneous receipts:	74,225			74,225	(74,225)
Interest received				0	563
Rents				0	53,435
Donations				0	75
Other				0	15
Total receipts	613,155	0	0	613,155	646,079
Disbursements:					
General government:					
Mayor and Council	20,625	288		20,913	20,500
Contingency	15,000			15,000	15,000
Amount transferred		(3,355)		(3,355)	(3,355)
Elections	450			450	44
Financial administration	93,380			93,380	85,382
Public safety:					
Police	68,750			68,750	68,500
Fire	23,650		44,943	68,593	66,755
Public works:					
Highways and streets	198,985	3,067	19,714	221,766	221,769
Airport	3,725			3,725	2,158
Health and welfare:					
Health	1,100			1,100	957
Ambulance	3,000			3,000	3,000
Culture and recreation:					
Recreation	44,465			44,465	32,227
Parks	15,645			15,645	12,510
Auditorium	98,730		84,140	182,870	158,634
Museum	1,370			1,370	1,084
Economic development			5,000	5,000	5,000
Debt service	24,280			24,280	24,276
Total disbursements	613,155	0	153,797	766,952	702,796
Excess of receipts over (under) disbursements	0	0	(153,797)	(153,797)	(56,717)
Other financing sources (uses):					
Transfer in				0	5,000
Transfer out			(49,480)	(49,480)	(49,480)
Compensation for property damage			148,797	148,797	42,815
Net change in fund balance	0	0	(54,480)	(54,480)	(58,382)
Fund balance:					
January 1, 2014	1,156,507			1,156,507	1,156,507
December 31, 2014	1,156,507	0	(54,480)	1,102,027	1,098,125

CITY OF KADOKA

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2015

2ND CENT (STREETS)	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
General sales and use taxes:	0			0		0
Miscellaneous receipts:						
Interest received				0	45	45
Total receipts	0	0	0	0	45	45
Disbursements:						
Culture and Recreation:						
Auditorium				0		0
Total disbursements	0	0	0	0	0	0
Excess of receipts over (under) disbursements	0	0	0	0	45	45
Other financing sources (uses):						
Transfer in				0		0
Net change in fund balance	0	0	0	0	45	45
Fund balance:						
January 1, 2015	41,839			41,839	41,839	0
December 31, 2015	41,839	0	0	41,839	41,884	45

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

2ND CENT (STREETS)	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
General sales and use taxes:	0			0		0
Miscellaneous receipts:						
Interest received	0			0	40	40
Total receipts	0	0	0	0	40	40
Disbursements:						
Culture and Recreation:						
Auditorium	0			0		0
Total disbursements	0	0	0	0	0	0
Excess of receipts over (under) disbursements	0	0	0	0	40	40
Other financing sources (uses):						
None	0			0		0
Net change in fund balance	0	0	0	0	40	40
Fund balance:						
January 1, 2014	41,799			41,799	41,799	0
December 31, 2014	41,799	0	0	41,799	41,839	40

CITY OF KADOKA

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2015

3RD CENT (PROMOTION)	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
General sales and use taxes:	34,025			34,025	39,314	5,289
Miscellaneous receipts:						
Interest received				0	19	19
Total receipts	34,025	0	0	34,025	39,333	5,308
Disbursements:						
Conservation and development:						
Economic development	34,025			34,025	27,456	6,569
Total disbursements	34,025	0	0	34,025	27,456	6,569
Excess of receipts over (under) disbursements	0	0	0	0	11,877	11,877
Other financing sources (uses):						
None	0			0		0
Net change in fund balance	0	0	0	0	11,877	11,877
Fund balance:						
January 1, 2015	81,828			81,828	81,828	0
December 31, 2015	81,828	0	0	81,828	93,705	11,877

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

3RD CENT (PROMOTION)	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
Taxes:						
General sales and use taxes:	33,770			33,770	33,928	158
Miscellaneous receipts:						
Interest received				0	18	18
Total receipts	33,770	0	0	33,770	33,946	176
Disbursements:						
Conservation and development:						
Economic development	33,770			33,770	27,426	6,344
Total disbursements	33,770	0	0	33,770	27,426	6,344
Excess of receipts over (under) disbursements	0	0	0	0	6,520	6,520
Other financing sources (uses):						
None	0			0		0
Net change in fund balance	0	0	0	0	6,520	6,520
Fund balance:						
January 1, 2014	75,308			75,308	75,308	0
December 31, 2014	75,308	0	0	75,308	81,828	6,520

CITY OF KADOKA

NOTES TO SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL, 2ND CENT AND THE 3RD CENT FUNDS
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

- a. 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.
- b. 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 d.
- c. 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.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. In 2015 a supplemental budget of \$5,000 was adopted for economic development. In 2014 two supplemental budgets totaling \$153,797 were adopted for various purposes and a \$49,480 transfer out to the water fund for water tower repairs. See page 39 and 40.
- e. Formal budgetary integration is employed as a management control device for the general, 2nd cent, and 3rd cent funds.
- f. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board.
- g. Budgets for the general, 2nd and 3rd cent funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because the City uses the modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund balance. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF KADOKA
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	City's Percentage of the Net Pension Asset	City's Proportionate Share of Net Pension Liability (Asset)	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0120017%	(50,903)	216,272	23.54%	104.1%
June 30, 2014	0.0128708%	(92,729)	221,281	40.91%	107.3%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF KADOKA
FOR THE TWO YEARS ENDING DECEMBER 31, 2015

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

SDRS Measurement Date Year Ended (1)	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2015	12,976	13,147	171	216,272	6.00%
June 30, 2014	13,277	13,504	227	221,281	6.00%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Governing Board
City of Kadoka
Kadoka, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, and each major fund of the City of Kadoka (City), Jackson County, South Dakota, 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 City's basic financial statements and have issued my report thereon dated August 5, 2016 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kadoka's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Edgemont School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did note minor matters involving internal control that I reported to the governing body and management of the City of Kadoka in a separate Letter of Comments dated August 5, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of City of Kadoka's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kadoka's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

August 5, 2016

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and "E".

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings: None

Prior Other Audit Findings: None

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Summary of the Independent Auditor's Results:

Type of auditor's report issued:	Unqualified on: Governmental Activities Business-Type Activities Major Funds
Noncompliance material to financial statements identified?	NONE REPORTED
Internal control over financial reporting: * Material weakness(es) identified?	NONE REPORTED
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	NONE REPORTED

Part II - Findings Relating to the Financial Statements

There are no current written audit findings.