

**MUNICIPALITY OF LEAD**

**AUDIT REPORT**

**For the Year Ended December 31, 2015**



MUNICIPALITY OF LEAD  
MUNICIPAL OFFICIALS  
December 31, 2015

Mayor:  
Jerry Apa

Municipal Commission Members:

Denise Parker  
Chuck King  
Ron Everett  
David Vardiman

Municipal Finance Officer:  
Billie Jo Ryan

Municipal Administrator:  
Mike Stahl

Municipal Attorney:  
Tim Johns



MUNICIPALITY OF LEAD  
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## ***Opinions***

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

## ***Basis of Accounting***

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

## ***Other Matters***

### ***Supplementary Information***

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report February 21, 2017, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Martin L. Guindon, CPA  
Auditor General

February 21, 2017

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,206,588.64	\$ 724,507.84	\$ 1,931,096.48
<b>TOTAL ASSETS</b>	<u>\$ 1,206,588.64</u>	<u>\$ 724,507.84</u>	<u>\$ 1,931,096.48</u>
<b>NET POSITION:</b>			
Restricted For:			
Promotional Purposes	\$ 125,398.34	\$	\$ 125,398.34
Permanently Restricted Purposes:			
Expendable	51,910.66		51,910.66
Non-Expendable	50,000.00		50,000.00
Unrestricted	979,279.64	724,507.84	1,703,787.48
<b>TOTAL NET POSITION</b>	<u>\$ 1,206,588.64</u>	<u>\$ 724,507.84</u>	<u>\$ 1,931,096.48</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 484,475.29	\$ 100,659.36	\$ 20,709.90	\$ 9,500.00	\$ (383,815.93)	\$	\$ (383,815.93)
Public Safety	487,277.28	6,528.38			(450,539.00)		(450,539.00)
Public Works	791,593.33	16,805.38	109,554.87		(665,233.08)		(665,233.08)
Health and Welfare	92,338.03	325.00			(92,013.03)		(92,013.03)
Culture and Recreation	433,913.42	10,640.00	108,740.00		(314,533.42)		(314,533.42)
Conservation and Development	52,816.14	83,140.77			30,324.63		30,324.63
*Interest on Long-Term Debt	4,562.61				(4,562.61)		(4,562.61)
<b>Total Governmental Activities</b>	<b>2,346,976.10</b>	<b>218,098.89</b>	<b>239,004.77</b>	<b>9,500.00</b>	<b>(1,880,372.44)</b>	<b>0.00</b>	<b>(1,880,372.44)</b>
Business-Type Activities:							
Water	1,077,503.72	770,092.05				(307,411.67)	(307,411.67)
Sewer	506,324.62	197,189.84				(309,134.78)	(309,134.78)
Solid Waste	203,251.40	184,554.86				(18,696.54)	(18,696.54)
<b>Total Business-Type Activities</b>	<b>1,787,079.74</b>	<b>1,151,836.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(635,242.99)</b>	<b>(635,242.99)</b>
<b>Total Primary Government</b>	<b>\$ 4,134,055.84</b>	<b>\$ 1,369,935.64</b>	<b>\$ 239,004.77</b>	<b>\$ 9,500.00</b>	<b>(1,880,372.44)</b>	<b>(635,242.99)</b>	<b>(2,515,615.43)</b>

**General Revenues:**

Taxes:

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

Property Taxes	1,158,580.61					1,158,580.61
Sales Taxes	787,294.94					787,294.94
State Shared Revenues	38,082.93					38,082.93
Unrestricted Investment Earnings	948.80				482.24	1,431.04
Debt Issued					901,788.00	901,788.00
Miscellaneous Revenue	44,781.75					44,781.75
<b>Total General Revenues</b>	<b>2,029,689.03</b>				<b>902,270.24</b>	<b>2,931,959.27</b>
Change in Net Position	149,316.59				267,027.25	416,343.84
Net Position - Beginning	1,057,272.05				457,480.59	1,514,752.64
<b>NET POSITION - ENDING</b>	<b>\$ 1,206,588.64</b>				<b>\$ 724,507.84</b>	<b>\$ 1,931,096.48</b>

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

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

	General Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 925,906.14	\$ 125,398.34	\$ 155,284.16	\$ 1,206,588.64
<b>TOTAL ASSETS</b>	<b>\$ 925,906.14</b>	<b>\$ 125,398.34</b>	<b>\$ 155,284.16</b>	<b>\$ 1,206,588.64</b>
<b>FUND BALANCES:</b> (See Note 1.k.)				
Restricted	\$	\$ 125,398.34	\$ 101,910.66	\$ 227,309.00
Assigned	382,953.89		53,373.50	436,327.39
Unassigned	542,952.25			542,952.25
<b>TOTAL FUND BALANCES</b>	<b>\$ 925,906.14</b>	<b>\$ 125,398.34</b>	<b>\$ 155,284.16</b>	<b>\$ 1,206,588.64</b>

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

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

	General Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 1,153,388.80	\$	\$	\$ 1,153,388.80
General Sales and Use Taxes	720,725.81	66,569.13		787,294.94
Penalties and Interest on Delinquent Taxes	5,191.81			5,191.81
Licenses and Permits	64,753.43			64,753.43
Intergovernmental Revenue:				
Federal Grants	20,709.90			20,709.90
State Grants	9,500.00			9,500.00
State Shared Revenue:				
Bank Franchise Tax	18,656.89			18,656.89
Liquor Tax Reversion	19,426.04			19,426.04
Motor Vehicle Licenses (5%)	34,168.86			34,168.86
Local Government Highway and Bridge Fund	75,368.64			75,368.64
Gaming Proceeds	60,640.77			60,640.77
County Shared Revenue:				
County Highway and Bridge Reserve Tax (25%)	17.37			17.37
County Library Allocation			108,740.00	108,740.00
Other Intergovernmental Revenues	22,500.00			22,500.00
Charges for Goods and Services:				
General Government	36,382.93			36,382.93
Public Safety	2,676.38			2,676.38
Highways and Streets	3,027.18			3,027.18
Sanitation	10,128.20			10,128.20
Culture and Recreation	10,640.00			10,640.00
Cemetery	2,650.00		1,000.00	3,650.00
Fines and Forfeits:				
Animal Control Fines	1,630.00			1,630.00
Parking Meter Fines	2,050.00			2,050.00
Other	20.00			20.00
Miscellaneous Revenue:				
Investment Earnings	763.92	82.74	102.14	948.80
Rentals	6,221.00			6,221.00
Other	380.75			380.75
<b>Total Revenues</b>	<b>2,281,618.68</b>	<b>66,651.87</b>	<b>109,842.14</b>	<b>2,458,112.69</b>

<b>Expenditures:</b>				
General Government:				
Legislative	176,774.72			176,774.72
Financial Administration	215,316.62			215,316.62
Other	92,383.95			92,383.95
Public Safety:				
Police	467,326.99			467,326.99
Fire	861.55			861.55
Protective Inspection	19,088.74			19,088.74
Public Works:				
Highways and Streets	702,999.19			702,999.19
Cemeteries	27,817.30			27,817.30
Health and Welfare:				
Health	84,417.43			84,417.43
Humane Society	7,920.60			7,920.60
Culture and Recreation:				
Recreation	14,162.90			14,162.90
Parks	165,685.08			165,685.08
Libraries		182,661.64		182,661.64
Historical Preservation	71,403.80			71,403.80
Conservation and Development:				
Economic Development and Assistance (Industrial Development)		52,816.14		52,816.14
Debt Service	65,339.45			65,339.45
Total Expenditures	<u>2,111,498.32</u>	<u>52,816.14</u>	<u>182,661.64</u>	<u>2,346,976.10</u>
Excess of Revenues Over (Under) Expenditures	170,120.36	13,835.73	(72,819.50)	111,136.59
<b>Other Financing Sources (Uses):</b>				
Transfers In			87,606.00	87,606.00
Transfers Out	(87,606.00)			(87,606.00)
Sale of Municipal Property	38,180.00			38,180.00
Total Other Financing Sources (Uses)	<u>(49,426.00)</u>	<u>0.00</u>	<u>87,606.00</u>	<u>38,180.00</u>
Net Change in Fund Balance	120,694.36	13,835.73	14,786.50	149,316.59
Fund Balance - Beginning	805,211.78	111,562.61	140,497.66	1,057,272.05
<b>FUND BALANCE - ENDING</b>	<u>\$ 925,906.14</u>	<u>\$ 125,398.34</u>	<u>\$ 155,284.16</u>	<u>\$ 1,206,588.64</u>

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



**MUNICIPALITY OF LEAD  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Solid Waste Fund</b>	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 448,565.34	\$ 263,297.42	\$ 12,645.08	\$ 724,507.84
<b>TOTAL ASSETS</b>	<b><u>\$ 448,565.34</u></b>	<b><u>\$ 263,297.42</u></b>	<b><u>\$ 12,645.08</u></b>	<b><u>\$ 724,507.84</u></b>
<b>NET POSITION:</b>				
Unrestricted	\$ 448,565.34	\$ 263,297.42	\$ 12,645.08	\$ 724,507.84
<b>TOTAL NET POSITION</b>	<b><u>\$ 448,565.34</u></b>	<b><u>\$ 263,297.42</u></b>	<b><u>\$ 12,645.08</u></b>	<b><u>\$ 724,507.84</u></b>

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

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

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Solid Waste Fund	
<b>Operating Revenues:</b>				
Charges for Goods and Services	\$ 770,092.05	\$ 197,189.84	\$ 184,554.86	\$ 1,151,836.75
<b>Operating Expenses:</b>				
Personal Services	112,110.12	68,351.32		180,461.44
Other Current Expense	125,787.54	12,635.24	203,251.40	341,674.18
Materials	363,229.59	22.98		363,252.57
Capital Assets	433,815.31	384,236.24		818,051.55
Total Operating Expenses	<u>1,034,942.56</u>	<u>465,245.78</u>	<u>203,251.40</u>	<u>1,703,439.74</u>
Operating Income (Loss)	<u>(264,850.51)</u>	<u>(268,055.94)</u>	<u>(18,696.54)</u>	<u>(551,602.99)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Earnings	298.65	175.83	7.76	482.24
Debt Service (Principal)	(24,844.50)	(25,602.62)		(50,447.12)
Interest Expense	(17,716.66)	(15,476.22)		(33,192.88)
Long-Term Debt Issued	454,407.00	447,381.00		901,788.00
Total Nonoperating Revenues (Expenses)	<u>412,144.49</u>	<u>406,477.99</u>	<u>7.76</u>	<u>818,630.24</u>
Change in Net Position	147,293.98	138,422.05	(18,688.78)	267,027.25
Net Position - Beginning	<u>301,271.36</u>	<u>124,875.37</u>	<u>31,333.86</u>	<u>457,480.59</u>
NET POSITION - ENDING	<u>\$ 448,565.34</u>	<u>\$ 263,297.42</u>	<u>\$ 12,645.08</u>	<u>\$ 724,507.84</u>

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

**MUNICIPALITY OF LEAD**  
**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**December 31, 2015**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 307,177.72	\$ 2,451.58
Investments	73,239.40	
	<u>380,417.12</u>	<u>2,451.58</u>
<b>TOTAL ASSETS</b>	<u>\$ 380,417.12</u>	<u>\$ 2,451.58</u>
<b>NET POSITION:</b>		
Restricted for Firemen's Pension Purposes	\$ 380,417.12	\$
Net Position Held in Agency Capacity		2,451.58
	<u>380,417.12</u>	<u>2,451.58</u>
<b>TOTAL NET POSITION</b>	<u>\$ 380,417.12</u>	<u>\$ 2,451.58</u>

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

**MUNICIPALITY OF LEAD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2015**

	<b>Private-Purpose Trust Funds</b>
<b>ADDITIONS:</b>	
Earnings (Loss) from Deposits and Investments	\$ (852.49)
<b>DEDUCTIONS:</b>	
Trust Deductions for Firemen's Pension	14,550.96
Change in Net Position	(15,403.45)
Net Position - Beginning	395,820.57
<b>NET POSITION - ENDING</b>	<b>\$ 380,417.12</b>

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

MUNICIPALITY OF LEAD  
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

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

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

**Governmental Funds:**

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

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

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

The remaining Special Revenue funds are not considered major funds: Library Fund. This fund is reported on the fund financial statements as "Other Governmental Funds".

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

Cemetery Perpetual Care Fund – to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. (SDCL 9-32-18) This is not a major fund.

**Proprietary Funds:**

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

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

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

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

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

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

### **Fiduciary Funds:**

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

*Pension (and Other Employee Benefit Trust Funds) – Pension and other employee benefit trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, other post-employment benefit plans, or other employee benefit plans. The Municipality manages a Firemen's Pension Trust, which was offered to its Municipal Firemen. The Municipality no longer operates a municipal fire department. There are two remaining former Firemen that are receiving benefits from this plan. See Note 6 for more detailed information.*

*Agency Funds – Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund maintained by the municipality is used to account for the accumulation and distribution of sales tax owed the state.*

c. **Measurement Focus and Basis of Accounting:**

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

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

*Measurement Focus:*

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources

measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

*Fund Financial Statements:*

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

*Basis of Accounting:*

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

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

Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at market value rather than cost.

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

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

d. Deposits and Investments:

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

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.



As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Municipality and the related depreciation are not reported on the financial statements of the Municipality.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, Revenue Bonds and Financing (Capital Acquisition) Leases.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as Net Position and is displayed in two components:

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

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable”, “Restricted”, “Committed”, “Assigned”, and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as Net Position – Restricted.

j. Application of Net Position:

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

k. Fund Balance Classification Policies and Procedures:

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

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

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

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

A schedule of fund balances is provided as follows:

**MUNICIPALITY OF LEAD  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015**

	<u>General Fund</u>	<u>Liquor, Lodging and Dining Gross Receipts Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>				
Restricted For:				
Promotional Purposes	\$	\$ 125,398.34	\$	\$ 125,398.34
Cemetery Perpetual Care Purposes-Nonexpendable			50,000.00	50,000.00
Cemetery Perpetual Care Purposes-Expendable			51,910.66	51,910.66
Assigned To:				
Capital Outlay Accumulation Purposes	382,953.89			382,953.89
Library Purposes			53,373.50	53,373.50
Unassigned	542,952.25			542,952.25
<b>Total Fund Balances</b>	<u>\$ 925,906.14</u>	<u>\$ 125,398.34</u>	<u>\$ 155,284.16</u>	<u>\$ 1,206,588.64</u>

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

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

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

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

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

Investments	Credit Rating	Fair Value
Mutual Funds:		
Franklin Adjustable U.S. Government Securities Fund	AAF	\$ 73,239.40
External Investment Pools:		
SDFIT	Unrated	<u>3,711.75</u>
<b>TOTAL INVESTMENTS</b>		<u><b>\$ 76,951.15</b></u>

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

**Concentration of Credit Risk** – The Municipality places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Municipality's investments are in Franklin Adjustable U.S. Government Securities Fund -- Class A 95.2%.

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

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

### 3. PROPERTY TAXES

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

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

#### 4. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015 were as follows:

	<u>Transfers To:</u>
	Other Governmental Funds
<u>Transfers From:</u>	<u>Library Fund</u>
Major Funds:	
General Fund	\$ 87,606.00

The Municipality typically budgets transfers to the Library Fund (Other Governmental Fund) to conduct the indispensable functions of the Municipality.

#### 5. RETIREMENT PLAN

##### **Plan Information:**

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

##### **Benefits Provided:**

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

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

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2015, 2014, and 2013 were \$62,359, \$56,848, and \$58,841, respectively, equal to the required contributions each year.

**Pension Liabilities (Assets):**

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

Proportionate share of net position restricted for pension benefits	\$ 5,787,925.33
Less proportionate share of total pension liability	<u>5,560,131.81</u>
Proportionate share of net pension liability (asset)	<u>\$ (227,793.52)</u>

The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Municipality's proportion was .0537086%, which is a decrease of .0018216% from its proportion measured as of June 30, 2014.

**Actuarial Assumptions:**

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

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

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

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

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

expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 573,353.74	\$ (227,793.52)	\$ (881,061.11)

**Pension Plan Fiduciary Net Position:**

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

6. FIREMEN'S PENSION PLAN

*Plan Description.* The Municipality also sponsored and administers the Firemen Pension Trust Fund (the plan). The Municipality no longer maintains a municipal fire department as they became members of the Lead Fire Protection District, Inc. in April of 2008. The plan is being maintained for the last two remaining members of the disbanded municipal fire department. The plan is a single employer; defined benefit pension plan established under the authority of SDCL 9-16-20 and 9-16-3. The membership of the plan included all full-time firemen in the employ of the Municipality. A firemen's pension board of five members is in charge of the administration, management, and operation of the plan. The plan is supposed to be reviewed biennially by an actuary firm; however, due to the fact that there are only two remaining members receiving benefits, it is not practical, nor

cost beneficial to perform an actuarial study. The Municipal Council established and can make changes to the plan through ordinances of the Municipality.

*Funding Policy.* The system is a defined benefit pension plan. Pursuant to Municipal ordinances, the members were to contribute 6 percent of compensation. The members' contributions earn interest at 6 percent. The members' contributions and earned interest may be withdrawn upon termination of employment. The plan is considered to be part of the Municipality and is included in the Municipality's financial statements as a Firemen's Pension Trust Fund. No contributions have been made to the plan by the Municipality or members since 2008.

As of December 31, 2015, the plan consisted of two (2) retirees and beneficiaries currently receiving benefits.

Retirement with no reduction for early retirement occurs at 20 years of service or at the age of 60 regardless of service. Benefits commence at age 55 with the completion of 10 years of service.

Deferred retirement is computed as a regular retirement benefit but based on service and final average compensation at the time of termination. Eligibility for deferred retirement occurs after 10 years of service or at age 60 regardless of service. Benefits from deferred retirement commence at age 55 with the completion of 10 years of service.

The standard benefit upon retirement is equal to 2.75% times the first 25 years of service, plus 1.5% times the years of service in excess of 25 years. Maximum benefits are 75% of earnings of a first-class fireman during the year of retirement. The final average compensation means the five consecutive years preceding retirement. The plan does not include any post retirement cost of living adjustments.

As of December 31, 2015, the plan had Cash Equivalents and Investments in the amount of \$380,417. The projected future yearly trust fund deduction for pensions for the next 5 years is approximately \$14,600 and will then increase to approximately \$27,338. As of December 31, 2015, the plan has enough assets to cover the expected benefits for approximately 16 years.

## 7. SIGNIFICANT CONTINGENCIES – LITIGATION

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

## 8. RISK MANAGEMENT

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

### Employee Health Insurance:

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

### Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the



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

#### Automobile and General Liability

The agreement with the SDPAA provides that the above coverages will be provided to a \$325,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The Municipality would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

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

As of December 31, 2015, the Municipality has vested balance in the cumulative reserve fund of \$69,917.98.

The Municipality carries a \$1,000 deductible for the Automobile and General Liability coverage. The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits:

The Municipality has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2015, no claims were filed for unemployment benefits.

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LEAD**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	\$ 1,208,091.00	\$ 1,208,091.00	\$ 1,153,388.80	\$ (54,702.20)
General Sales and Use Taxes	610,000.00	610,000.00	720,725.81	110,725.81
Penalties and Interest on Delinquent Taxes	11,500.00	11,500.00	5,191.81	(6,308.19)
Licenses and Permits	55,300.00	55,300.00	64,753.43	9,453.43
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	20,709.90	20,709.90
State Grants	8,000.00	8,000.00	9,500.00	1,500.00
State Shared Revenue:				
Bank Franchise Tax	15,000.00	15,000.00	18,656.89	3,656.89
Liquor Tax Reversion	12,000.00	12,000.00	19,426.04	7,426.04
Motor Vehicle Licenses (5%)	28,500.00	28,500.00	34,168.86	5,668.86
Local Government Highway and Bridge Fund	40,000.00	40,000.00	75,368.64	35,368.64
Gaming Proceeds	66,000.00	66,000.00	60,640.77	(5,359.23)
County Shared Revenue:				
County Highway and Bridge Reserve Tax (25%)	40,000.00	40,000.00	17.37	(39,982.63)
Other	2,500.00	2,500.00	22,500.00	20,000.00
Charges for Goods and Services:				
General Government	11,550.00	11,550.00	36,382.93	24,832.93
Public Safety	0.00	0.00	2,676.38	2,676.38
Highways and Streets	2,000.00	2,000.00	3,027.18	1,027.18
Sanitation	7,500.00	7,500.00	10,128.20	2,628.20
Culture and Recreation	2,000.00	2,000.00	10,640.00	8,640.00
Cemetery	4,000.00	4,000.00	2,650.00	(1,350.00)
Other	5,500.00	5,500.00	0.00	(5,500.00)
Fines and Forfeits:				
Animal Control Fines	1,250.00	1,250.00	1,630.00	380.00
Parking Meter Fines	2,300.00	2,300.00	2,050.00	(250.00)
Other	550.00	550.00	20.00	(530.00)
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	763.92	(236.08)
Rentals	200.00	200.00	6,221.00	6,021.00
Contributions and Donations from Private Sources	16,000.00	16,000.00	0.00	(16,000.00)
Other	0.00	0.00	380.75	380.75
<b>Total Revenues</b>	<b>2,150,741.00</b>	<b>2,150,741.00</b>	<b>2,281,618.68</b>	<b>130,877.68</b>
<b>Expenditures:</b>				
General Government:				
Legislative	184,896.00	184,896.00	176,774.72	8,121.28
Contingency	50,000.00	50,000.00		
Amount Transferred		0.00		50,000.00
Financial Administration	222,293.00	222,293.00	215,316.62	6,976.38
Other	135,416.00	142,416.00	92,383.95	50,032.05
Public Safety:				
Police	451,431.00	467,867.64	467,326.99	540.65
Fire	0.00	862.00	861.55	0.45
Protective Inspection	0.00	20,000.00	19,088.74	911.26
Public Works:				
Highways and Streets	668,347.00	704,849.00	702,999.19	1,849.81
Cemeteries	33,282.00	33,282.00	27,817.30	5,464.70
Health and Welfare:				
Health	89,912.00	89,912.00	84,417.43	5,494.57
Humane Society	9,325.00	9,325.00	7,920.60	1,404.40

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LEAD**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2015**  
**(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Culture and Recreation:				
Recreation	32,500.00	32,500.00	14,162.90	18,337.10
Parks	188,554.00	188,554.00	165,685.08	22,868.92
Historical Preservation	40,500.00	71,500.00	71,403.80	96.20
Debt Service	65,339.00	65,339.00	65,339.45	(0.45)
Total Expenditures	<u>2,171,795.00</u>	<u>2,283,595.64</u>	<u>2,111,498.32</u>	<u>172,097.32</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,054.00)</u>	<u>(132,854.64)</u>	<u>170,120.36</u>	<u>302,975.00</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0.00	0.00	(87,606.00)	(87,606.00)
Sale of Municipal Property	1,500.00	1,500.00	38,180.00	36,680.00
Total Other Financing Sources (Uses)	<u>1,500.00</u>	<u>1,500.00</u>	<u>(49,426.00)</u>	<u>(50,926.00)</u>
Net Change in Fund Balance	(19,554.00)	(131,354.64)	120,694.36	252,049.00
Fund Balance - Beginning	<u>805,211.78</u>	<u>805,211.78</u>	<u>805,211.78</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 785,657.78</u>	<u>\$ 673,857.14</u>	<u>\$ 925,906.14</u>	<u>\$ 252,049.00</u>

**SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF LEAD  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
LIQUOR, LODGING AND DINING GROSS RECEIPTS TAX FUND  
For the Year Ended December 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	\$ 33,000.00	\$ 53,000.00	\$ 66,569.13	\$ 13,569.13
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	82.74	82.74
Total Revenues	<u>33,000.00</u>	<u>53,000.00</u>	<u>66,651.87</u>	<u>13,651.87</u>
<b>Expenditures:</b>				
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	<u>33,000.00</u>	<u>53,000.00</u>	<u>52,816.14</u>	<u>183.86</u>
Net Change in Fund Balance	0.00	0.00	13,835.73	13,835.73
Fund Balance - Beginning	<u>111,562.61</u>	<u>111,562.61</u>	<u>111,562.61</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 111,562.61</u>	<u>\$ 111,562.61</u>	<u>\$ 125,398.34</u>	<u>\$ 13,835.73</u>

MUNICIPALITY OF LEAD  
NOTES TO THE SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

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

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

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

**SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LEAD**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**For the Year Ended December 31, 2015**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2015</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2015</u>
<b>Governmental Long-Term Debt:</b>				
Financing (Capital Acquisition) Leases	\$ 99,372.60	\$ 183,326.08	\$ (78,851.61)	\$ 203,847.07
Other Long-Term Obligations	67,000.00		(21,871.26)	45,128.74
<b>Enterprise Long-Term Debt:</b>				
Revenue Bonds	<u>1,725,553.82</u>	<u>901,788.00</u>	<u>(51,524.64)</u>	<u>2,575,817.18</u>
<b>Total</b>	<u>\$ 1,891,926.42</u>	<u>\$ 1,085,114.08</u>	<u>\$ (152,247.51)</u>	<u>\$ 2,824,792.99</u>

Note 1 - Long-Term Debt:

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

Revenue Bonds:

2005 Drinking Water State Revolving Fund (SRF) #2, Final Maturity -- October 1, 2035, Interest Rate -- 3.25%, Payments made from Water Fund	\$ 147,694.23
2010 Drinking Water State Revolving Fund (SRF) #3, Final Maturity -- January 1, 2032, Interest Rate -- 3.00%, Payments made from Water Fund	\$ 416,644.34
2005 Clean Water State Revolving Fund (SRF) #5, Final Maturity -- October 1, 2025, Interest Rate -- 3.25%, Payments made from Sewer Fund	\$ 127,665.58

2007 Clean Water State Revolving Fund (SRF) #6, Final Maturity -- July 1, 2029, Interest Rate -- 3.25%, Payments made from Sewer Fund	\$ 181,778.53
2011 Clean Water State Revolving Fund (SRF) #7, Final Maturity -- April 1, 2032, Interest Rate -- 3.00%, Payments made from Sewer Fund	\$ 124,939.50
2015 Clean Water State Revolving Fund (SRF) #4, Final Maturity -- July 1, 2036, Interest Rate -- 3.00%, Payments made from Water Fund	\$ 821,671.00
2015 Clean Water State Revolving Fund (SRF) #8, Final Maturity -- July 1, 2036, Interest Rate -- 3.00%, Payments made from Sewer Fund	\$ 755,424.00
<u>Financing (Capital Acquisition) Leases:</u>	
Caterpillar 140HNA #CCA01832, Maturity Date of January 23, 2017, Interest Rate of 3.20%, Payment from General Fund	\$ 20,332.41
New Caterpillar, Maturity Date January 1, 2017, Interest Rate of 6.37%, Payment from General Fund	\$ 40,188.58
2015 Grader Blade Lease, Maturity Date June 1, 2020, Interest Rate of 2.85%, Payment from General Fund	\$ 143,326.08
<u>Other Long-Term Obligations:</u>	
Bank Loan for two Police Ford Explorers, Maturity Date February 19, 2017, Interest rate of 2.10%, Payment from General Fund	\$ 45,128.74