

**MUNICIPALITY OF MARION
MARION, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2014 TO DECEMBER 31, 2014
AND
FOR THE YEAR JANUARY 1, 2015 TO DECEMBER 31, 2015**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF MARION

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Ron Globke

GOVERNING BOARD:

Jeff Jenó – President
Rick Nelson – Vice-President
Dave Hughes
Jim Kettwig
Dick Luke
Jeremy Thomas

FINANCE OFFICER:

Kari Muller

ATTORNEY:

Jeffrey Cole

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

Governing Board
Municipality of Marion
Marion, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Marion, South Dakota (Municipality), as of December 31, 2015 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 24, 2016 which was adverse because Interest income was not recorded in the fund making the investment and cash balances could not be reconciled by fund type.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

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

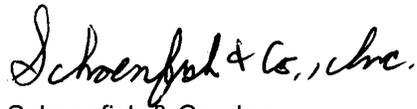
those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
August 24, 2016

Schoenfish & Co., Inc.

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

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Finding Number 2013-001:

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

Finding Number 2013-002:

A material weakness in internal controls was noted due to a lack of a general ledger, lack of a general journal, and no cash record by fund type resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated under current audit finding number 2015-002.

Finding Number 2013-003:

Records were not properly established and maintained to support amounts reported for capital assets resulting in the diminished reliability of accounting data and inadequate safeguards over public assets and increased potential for inaccurate financial statements. In addition, no accumulated depreciation and no depreciation expense were reported for proprietary funds due to the lack of these records. This comment has been corrected since the Municipality uses the modified cash basis of accounting.

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SCHEDULE OF CURRENT AUDIT FINDINGSCURRENT AUDIT FINDINGS:Internal Control – Related Findings – Material Weaknesses:Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has been reported since 2003.

Criteria:

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

Condition:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. The Finance Officer and Assistant Finance Officer also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Municipality of Marion officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Municipality of Marion Mayor, Ron Globke, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Marion, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

Finding Number 2015-002:

A material weakness in internal controls was noted due to a lack of a general ledger, lack of a general journal, no cash record by fund type, and several errors in classifying receipts and disbursements resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has been reported since 2003.

Criteria:

The State of South Dakota Municipal Accounting Manual states in part, "The Municipal Finance Officer shall perform all duties . . . set out in various sections of the code . . . keep the regular books of account."

Condition:

While the Finance Officer maintains a proper cash receipts and cash disbursements journal. No general ledger or general journal is maintained. Also, no cash balance by individual fund is maintained by the Municipality and several errors were noted in recording receipts and disbursements.

Effect:

As a result, all of the necessary information to prepare proper financial statements is not available without a general ledger and a general journal recording all transactions by account.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Recommendation:

2. We recommend that a proper general ledger, a proper general journal, and proper cash records be established and maintained.

Management's Response:

The Municipality of Marion Mayor, Ron Globke, is the contact person responsible for the corrective action plan for this comment. The Municipality will attempt to maintain a general ledger and general journal.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor and Finance Officer on August 30, 2016.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Marion
Marion, South Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; 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

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

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

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

Basis for Adverse Opinions

Interest income for funds other than the General Fund was not recognized in the fund reporting the investment. As required by GAAP, this income should be reported in each respective fund and subsequently transferred to the General Fund per municipal policy. The amounts of this subject are not reasonably determinable.

Cash balances by individual fund were not maintained by the Municipality and the accuracy of the amounts reported could not be determined.

Adverse Opinions

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinions" paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position, modified cash basis, of the governmental activities, business-type activities, and each major fund of the Municipality of Marion as of December 31, 2015, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the 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 Long-Term Liabilities schedules 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. Because of the significance of the matter described in the Basis for Adverse Opinions above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of

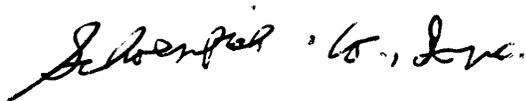
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its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,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



Schoenfish & Co., Inc.
Certified Public Accountants
August 24, 2016

Schoenfish & Co., Inc.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	964,522.27	149,897.49	1,114,419.76
Investments	231,403.14	203,697.31	435,100.45
TOTAL ASSETS	1,195,925.41	353,594.80	1,549,520.21
NET POSITION:			
Restricted for:			
Centennial Fund Purposes	12,763.23		12,763.23
Library Fund Purposes	3,914.63		3,914.63
Debt Service Purposes		75,716.55	75,716.55
Unrestricted	1,179,247.55	277,878.25	1,457,125.80
TOTAL NET POSITION	1,195,925.41	353,594.80	1,549,520.21

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	147,095.57	3,457.80			(143,637.77)		(143,637.77)
Public Safety	74,526.00				(74,526.00)		(74,526.00)
Public Works	294,509.40	72,297.42	32,436.36		(189,775.62)		(189,775.62)
Health and Welfare	4,957.88	665.00	1,182.00		(3,110.88)		(3,110.88)
Culture and Recreation	103,289.97	8,400.56			(94,889.41)		(94,889.41)
Conservation and Development	44,576.00				(44,576.00)		(44,576.00)
Total Governmental Activities	668,954.82	84,820.78	33,618.36	0.00	(550,515.68)		(550,515.68)
Business-type Activities:							
Water	102,955.29	122,814.48				19,859.19	19,859.19
Sewer	106,978.72	122,449.61				15,470.89	15,470.89
Total Business-Type Activities	209,934.01	245,264.09	0.00	0.00		35,330.08	35,330.08
Total Primary Government	878,888.83	330,084.87	33,618.36	0.00	(550,515.68)	35,330.08	(515,185.60)
General Revenues:							
Taxes:							
Property Taxes					305,210.96		305,210.96
Sales Taxes					264,886.40		264,886.40
State Shared Revenues					6,142.18		6,142.18
Unrestricted Investment Earnings					3,164.35		3,164.35
Miscellaneous Revenues					8,692.49		8,692.49
Total General Revenues					588,096.38	0.00	588,096.38
Change in Net Position					37,580.70	35,330.08	72,910.78
Net Position - Beginning					1,158,344.71	318,264.72	1,476,609.43
NET POSITION - ENDING					1,195,925.41	353,594.80	1,549,520.21

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

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

	General Fund
ASSETS:	
Cash and Cash Equivalents	964,522.27
Investments	231,403.14
TOTAL ASSETS	1,195,925.41
FUND BALANCES:	
Restricted for Centennial Fund	12,763.23
Restricted for Library Books	3,914.63
Committed for Capital Outlay	20,000.00
Assigned for Next Year's Budget	45,000.00
Unassigned	1,114,247.55
TOTAL FUND BALANCES	1,195,925.41

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

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

	General Fund
Revenues:	
Taxes:	
General Property Taxes	304,927.15
General Sales and Use Taxes	264,886.40
Amusement Taxes	12.00
Penalties and Interest on Delinquent Taxes	271.81
Total Taxes	570,097.36
Licenses and Permits	3,221.50
Intergovernmental Revenue:	
State Grants	1,182.00
State Shared Revenue:	
Bank Franchise Tax	1,267.01
Liquor Tax Reversion	4,875.17
Motor Vehicle Licenses	12,368.04
Local Government Highway and Bridge Fund	17,665.58
County Shared Revenue:	
County Road Tax	587.74
County Wheel Tax	1,815.00
Total Intergovernmental Revenue	39,760.54
Charges for Goods and Services:	
General Government	36.30
Highways and Streets	1,226.00
Sanitation	71,071.42
Health	665.00
Culture and Recreation	8,400.56
Total Charges for Goods and Services	81,399.28
Miscellaneous Revenue:	
Investment Earnings	3,164.35
Rentals	200.00
Other	5,995.49
Total Miscellaneous Revenue	9,359.84
Total Revenue	703,838.52

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

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

	General Fund
Expenditures:	
General Government:	
Executive	14,847.13
Financial Administration	75,696.50
Other	56,551.94
Total General Government	147,095.57
Public Safety:	
Police	50,960.00
Fire	21,297.14
Other Protection	2,268.86
Total Public Safety	74,526.00
Public Works:	
Highways and Streets	207,957.57
Sanitation	86,551.83
Total Public Works	294,509.40
Health and Welfare:	
Health	4,957.88
Total Health and Welfare	4,957.88
Culture and Recreation:	
Recreation	59,001.64
Parks	43,786.13
Libraries	502.20
Total Culture and Recreation	103,289.97
Conservation and Development:	
Economic Development and Assistance (Industrial Development)	44,576.00
Total Conservation and Development	44,576.00
Total Expenditures	668,954.82
Excess Revenue Over (Under) Expenditures	34,883.70
Other Financing Sources (Uses):	
Sale of Municipal Property	2,697.00
Total Other Financing Sources (Uses)	2,697.00
Net Change in Fund Balance	37,580.70
Fund Balance - Beginning	1,158,344.71
FUND BALANCE - ENDING	1,195,925.41

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	87,114.87	62,782.62	149,897.49
Investments	52,801.00	150,896.31	203,697.31
Total Current Assets	139,915.87	213,678.93	353,594.80
TOTAL ASSETS	139,915.87	213,678.93	353,594.80
NET POSITION:			
Restricted for:			
Revenue Bond Debt Service		75,716.55	75,716.55
Unrestricted	139,915.87	137,962.38	277,878.25
TOTAL NET POSITION	139,915.87	213,678.93	353,594.80

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	120,443.58	121,999.61	242,443.19
Miscellaneous	2,370.90	450.00	2,820.90
Total Operating Revenue	122,814.48	122,449.61	245,264.09
Operating Expenses:			
Personal Services	14,277.79	4,745.15	19,022.94
Other Current Expenses	11,187.75	9,785.61	20,973.36
Materials	77,489.75		77,489.75
Total Operating Expenses	102,955.29	14,530.76	117,486.05
Operating Income (Loss)	19,859.19	107,918.85	127,778.04
Nonoperating Revenue (Expense):			
Debt Service (Principal)		(37,524.99)	(37,524.99)
Interest Expense		(54,922.97)	(54,922.97)
Total Nonoperating Revenue (Expense)	0.00	(92,447.96)	(92,447.96)
Change in Net Position	19,859.19	15,470.89	35,330.08
Net Position - Beginning	120,056.68	198,208.04	318,264.72
Net Position - Ending	139,915.87	213,678.93	353,594.80

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	927,558.32	114,889.19	1,042,447.51
Investments	230,786.39	203,375.53	434,161.92
TOTAL ASSETS	1,158,344.71	318,264.72	1,476,609.43
NET POSITION:			
Restricted for:			
Centennial Fund Purposes	12,383.44		12,383.44
Library Fund Purposes	3,889.26		3,889.26
Debt Service Purposes		75,716.55	75,716.55
Unrestricted	1,142,072.01	242,548.17	1,384,620.18
TOTAL NET POSITION	1,158,344.71	318,264.72	1,476,609.43

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	143,221.34	3,032.45			(140,188.89)		(140,188.89)
Public Safety	71,894.82	91.00			(71,803.82)		(71,803.82)
Public Works	273,293.79	71,349.70	31,107.63		(170,836.46)		(170,836.46)
Health and Welfare	2,853.64	380.00			(2,473.64)		(2,473.64)
Culture and Recreation	65,728.27	10,890.78			(54,837.49)		(54,837.49)
Conservation and Development	20,225.00				(20,225.00)		(20,225.00)
Total Governmental Activities	577,216.86	85,743.93	31,107.63	0.00	(460,365.30)		(460,365.30)
Business-type Activities:							
Water	109,121.23	121,001.19				11,879.96	11,879.96
Sewer	103,435.62	117,835.42				14,399.80	14,399.80
Total Business-Type Activities	212,556.85	238,836.61	0.00	0.00		26,279.76	26,279.76
Total Primary Government	789,773.71	324,580.54	31,107.63	0.00	(460,365.30)	26,279.76	(434,085.54)
General Revenues:							
Taxes:							
Property Taxes					297,741.57		297,741.57
Sales Taxes					249,176.23		249,176.23
State Shared Revenues					7,482.24		7,482.24
Unrestricted Investment Earnings					3,036.19		3,036.19
Miscellaneous Revenues					9,493.75		9,493.75
Total General Revenues					566,929.98	0.00	566,929.98
Change in Net Position					106,564.68	26,279.76	132,844.44
Net Position - Beginning					1,051,780.03	291,984.96	1,343,764.99
NET POSITION - ENDING					1,158,344.71	318,264.72	1,476,609.43

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

MUNICIPALITY OF MARION
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014

	General Fund
	<u> </u>
ASSETS:	
Cash and Cash Equivalents	927,558.32
Investments	<u>230,786.39</u>
TOTAL ASSETS	<u><u>1,158,344.71</u></u>
FUND BALANCES:	
Restricted for Centennial Fund	12,383.44
Restricted for Library Books	<u>3,889.26</u>
Assigned for Next Year's Budget	<u>69,000.00</u>
Unassigned	<u>1,073,072.01</u>
TOTAL FUND BALANCES	<u><u>1,158,344.71</u></u>

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

MUNICIPALITY OF MARION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Sales Tax Fund	Total
Revenues:			
Taxes:			
General Property Taxes	297,353.89		297,353.89
General Sales and Use Taxes	249,176.23		249,176.23
Amusement Taxes	24.00		24.00
Penalties and Interest on Delinquent Taxes	363.68		363.68
Total Taxes	546,917.80	0.00	546,917.80
Licenses and Permits	2,897.50	0.00	2,897.50
Intergovernmental Revenue:			
State Shared Revenue:			
Bank Franchise Tax	1,315.16		1,315.16
Liquor Tax Reversion	6,167.08		6,167.08
Motor Vehicle Licenses	11,446.73		11,446.73
Local Government Highway and Bridge Fund	17,392.32		17,392.32
County Shared Revenue:			
County Road Tax	587.74		587.74
County Wheel Tax	1,680.84		1,680.84
Total Intergovernmental Revenue	38,589.87	0.00	38,589.87
Charges for Goods and Services:			
General Government	34.95		34.95
Highways and Streets	732.00		732.00
Sanitation	70,617.70		70,617.70
Health	380.00		380.00
Culture and Recreation	10,890.78		10,890.78
Total Charges for Goods and Services	82,655.43	0.00	82,655.43
Fines and Forfeits:			
Court Fines and Costs	91.00	0.00	91.00
Miscellaneous Revenue:			
Investment Earnings	3,036.19		3,036.19
Special Assessments	100.00		100.00
Other	5,216.03		5,216.03
Total Miscellaneous Revenue	8,352.22	0.00	8,352.22
Total Revenue	679,503.82	0.00	679,503.82

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

MUNICIPALITY OF MARION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Total</u>
Expenditures:			
General Government:			
Legislative	9,000.00		9,000.00
Executive	15,468.36		15,468.36
Financial Administration	72,428.54		72,428.54
Other	46,324.44		46,324.44
Total General Government	<u>143,221.34</u>	<u>0.00</u>	<u>143,221.34</u>
Public Safety:			
Police	50,241.70		50,241.70
Fire	21,460.28		21,460.28
Other Protection	192.84		192.84
Total Public Safety	<u>71,894.82</u>	<u>0.00</u>	<u>71,894.82</u>
Public Works:			
Highways and Streets	196,070.40		196,070.40
Sanitation	77,223.39		77,223.39
Total Public Works	<u>273,293.79</u>	<u>0.00</u>	<u>273,293.79</u>
Health and Welfare:			
Health	<u>2,853.64</u>	<u>0.00</u>	<u>2,853.64</u>
Culture and Recreation:			
Recreation	29,033.67		29,033.67
Parks	34,669.40		34,669.40
Libraries	2,025.20		2,025.20
Total Culture and Recreation	<u>65,728.27</u>	<u>0.00</u>	<u>65,728.27</u>
Conservation and Development:			
Economic Development and Assistance (Industrial Development)	<u>20,225.00</u>	<u>0.00</u>	<u>20,225.00</u>
Total Expenditures	<u>577,216.86</u>	<u>0.00</u>	<u>577,216.86</u>
Excess Revenue Over (Under) Expenditures	<u>102,286.96</u>	<u>0.00</u>	<u>102,286.96</u>
Other Financing Sources (Uses):			
Transfers In	90,652.76		90,652.76
Transfers Out		(90,652.76)	(90,652.76)
Compensation for Loss or Damage			
Damage to Capital Assets	4,277.72		4,277.72
Total Other Financing Sources (Uses)	<u>94,930.48</u>	<u>(90,652.76)</u>	<u>4,277.72</u>
Net Change in Fund Balance	<u>197,217.44</u>	<u>(90,652.76)</u>	<u>106,564.68</u>
Fund Balance - Beginning	961,127.27	90,652.76	1,051,780.03
FUND BALANCE - ENDING	<u>1,158,344.71</u>	<u>0.00</u>	<u>1,158,344.71</u>

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

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

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	67,346.41	47,542.78	114,889.19
Investments	52,710.27	150,665.26	203,375.53
Total Current Assets	120,056.68	198,208.04	318,264.72
 TOTAL ASSETS	 120,056.68	 198,208.04	 318,264.72
 NET POSITION:			
Restricted for:			
Revenue Bond Debt Service		75,716.55	75,716.55
Unrestricted	120,056.68	122,491.49	242,548.17
 TOTAL NET POSITION	 120,056.68	 198,208.04	 318,264.72

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

MUNICIPALITY OF MARION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenue:			
Charges for Goods and Services	119,611.19	117,535.42	237,146.61
Miscellaneous	1,390.00	300.00	1,690.00
Total Operating Revenue	<u>121,001.19</u>	<u>117,835.42</u>	<u>238,836.61</u>
Operating Expenses:			
Personal Services	11,562.78	5,208.30	16,771.08
Other Current Expenses	18,902.60	5,779.36	24,681.96
Materials	78,655.85		78,655.85
Total Operating Expenses	<u>109,121.23</u>	<u>10,987.66</u>	<u>120,108.89</u>
Operating Income (Loss)	<u>11,879.96</u>	<u>106,847.76</u>	<u>118,727.72</u>
Nonoperating Revenue (Expense):			
Debt Service (Principal)		(36,239.85)	(36,239.85)
Interest Expense		(56,208.11)	(56,208.11)
Total Nonoperating Revenue (Expense)	<u>0.00</u>	<u>(92,447.96)</u>	<u>(92,447.96)</u>
Change in Net Position	<u>11,879.96</u>	<u>14,399.80</u>	<u>26,279.76</u>
Net Position - Beginning	<u>108,176.72</u>	<u>183,808.24</u>	<u>291,984.96</u>
Net Position - Ending	<u><u>120,056.68</u></u>	<u><u>198,208.04</u></u>	<u><u>318,264.72</u></u>

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS1. 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 Marion (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 two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

Governmental Funds:

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

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

Additional Sales Tax Fund – to account for an additional one percent sales tax which may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals, or nonprofit hospitals with fifty or fewer licensed beds and other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund, the purchasing of fire fighting vehicles and equipment, and debt retirement. (SDCL 10-52-2, Prior to Amendment) This is a major fund. This fund was closed in 2014.

Proprietary Funds:

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

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" 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:

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.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied with the limitations of the 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, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the Municipality in these financial statements are:

- a. 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 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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

e. Long-Term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category. Under the modified cash basis of accounting, all long-term debts arising from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the respective columns on the government-wide financial statements.

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

f. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the 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.

g. Proprietary Funds Revenue and Expense Classifications:

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

h. 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."

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.

i. Application of Net Position:

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

j. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

Major Special Revenue Fund	Revenue Source
Sales Tax Fund	Sales Tax (SDCL 10-52-2 Prior to Amendment)

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

	Year Ended <u>12/31/2014</u>
General Fund:	
Financial Administration	\$ 156.27
Police	\$ 355.85
Fire	\$ 180.14
Libraries	\$ 12.60

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

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

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

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits.

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

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

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

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).

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

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

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

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

4. PROPERTY TAXES

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

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

5. LONG-TERM COMMITMENT

The Municipality of Marion entered into a forty-year long-term commitment with TM Rural Water System to provide water to the Municipality. A monthly charge of \$3.25 per 1,000 gallons of water consumed will be charged. The Municipality will not acquire ownership of any of these water facilities through these payments. There are no minimum payments on this long-term commitment. Payments are made from the Municipality’s Water Fund.

6. RESTRICTED NET POSITION

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

<u>Purpose:</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Major Funds:		
General Fund:		
Centennial Fund	\$ 12,763.23	\$ 12,383.44
Library Books	\$ 3,914.63	\$ 3,889.26
Sewer Fund:		
Debt Service	\$ 75,716.55	\$ 75,715.55

These balances are restricted due to statutory requirements.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

7. RETIREMENT PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. 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 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$7,435.26, \$6,136.98, and \$6,830.35, respectively, equal to the required contributions each year.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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	\$ 623,411.69
Less proportionate share of total pension liability	<u>\$ 598,876.28</u>
Proportionate share of net pension liability (asset)	<u>\$ (24,535.41)</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 0.0057849%, which is an increase of 0.0001453% 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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$61,755.36	\$(24,535.41)	\$(94,898.11)

Pension Plan Fiduciary Net Position:

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

8. SIGNIFICANT CONTINGENCIES - LITIGATION

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

9. RISK MANAGEMENT

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

Employee Health Insurance:

The Municipality 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.

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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; theft or damage to property, errors and omissions of public officials, vehicle coverage, and various types of liability coverage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 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 \$15,983.25.

Worker's Compensation:

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

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

Unemployment Benefits:

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

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MARION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY 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>(Budgetary Basis)</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Taxes:				
General Property Taxes	306,184.00	306,184.00	304,927.15	(1,256.85)
General Sales and Use Taxes	222,000.00	222,000.00	264,886.40	42,886.40
Amusement Taxes	0.00	0.00	12.00	12.00
Penalties and Interest on Delinquent Taxes	0.00	0.00	271.81	271.81
Total Taxes	<u>528,184.00</u>	<u>528,184.00</u>	<u>570,097.36</u>	<u>41,913.36</u>
Licenses and Permits	<u>2,660.00</u>	<u>2,660.00</u>	<u>3,221.50</u>	<u>561.50</u>
Intergovernmental Revenue:				
State Grants	0.00	1,182.00	1,182.00	0.00
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,267.01	67.01
Liquor Tax Reversion	5,800.00	5,800.00	4,875.17	(924.83)
Motor Vehicle Licenses	8,500.00	8,500.00	12,368.04	3,868.04
Local Government Highway and Bridge Fund	15,000.00	15,000.00	17,665.58	2,665.58
County Shared Revenue:				
County Road Tax	580.00	580.00	587.74	7.74
County Wheel Tax	1,800.00	1,800.00	1,815.00	15.00
Total Intergovernmental Revenue	<u>32,880.00</u>	<u>34,062.00</u>	<u>39,760.54</u>	<u>5,698.54</u>
Charges for Goods and Services:				
General Government	0.00	0.00	36.30	36.30
Highways and Streets	0.00	0.00	1,226.00	1,226.00
Sanitation	70,980.00	70,980.00	71,071.42	91.42
Health	0.00	0.00	665.00	665.00
Culture and Recreation	6,000.00	6,000.00	8,400.56	2,400.56
Total Charges for Goods & Services	<u>76,980.00</u>	<u>76,980.00</u>	<u>81,399.28</u>	<u>4,419.28</u>
Fines and Forfeits:				
Court Fines and Costs	<u>100.00</u>	<u>100.00</u>	<u>0.00</u>	<u>(100.00)</u>
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	3,164.35	1,164.35
Rentals	0.00	0.00	200.00	200.00
Other	7,200.00	7,200.00	5,995.49	(1,204.51)
Total Miscellaneous Revenue	<u>9,200.00</u>	<u>9,200.00</u>	<u>9,359.84</u>	<u>159.84</u>
Total Revenue	<u>650,004.00</u>	<u>651,186.00</u>	<u>703,838.52</u>	<u>52,652.52</u>

**SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MARION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND**

For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
Contingency	24,270.00	24,270.00		
Amount Transferred		(5,575.45)		18,694.55
Executive	15,803.00	15,803.00	14,847.13	955.87
Financial Administration	79,551.00	79,888.62	75,696.50	4,192.12
Other	56,780.00	56,780.00	56,551.94	228.06
Total General Government	176,404.00	171,166.17	147,095.57	24,070.60
Public Safety:				
Police	51,090.00	51,090.00	50,960.00	130.00
Fire	21,300.00	21,300.00	21,297.14	2.86
Other Protection	10,000.00	10,000.00	2,268.86	7,731.14
Total Public Safety	82,390.00	82,390.00	74,526.00	7,864.00
Public Works:				
Highways and Streets	189,287.00	227,582.00	207,957.57	19,624.43
Sanitation	81,514.00	86,551.83	86,551.83	0.00
Total Public Works	270,801.00	314,133.83	294,509.40	19,624.43
Health and Welfare:				
Health	4,000.00	5,182.00	4,957.88	224.12
Total Health and Welfare	4,000.00	5,182.00	4,957.88	224.12
Culture and Recreation:				
Recreation	71,695.00	71,695.00	59,001.64	12,693.36
Parks	45,729.00	45,729.00	43,786.13	1,942.87
Libraries	2,000.00	2,000.00	502.20	1,497.80
Total Culture and Recreation	119,424.00	119,424.00	103,289.97	16,134.03
Conservation and Development:				
Economic Development & Assistance (Industrial Development)	46,185.00	46,185.00	44,576.00	1,609.00
Total Expenditures	699,204.00	738,481.00	668,954.82	69,526.18
Excess of Revenue Over (Under) Expenditures	(49,200.00)	(87,295.00)	34,883.70	122,178.70
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	2,697.00	2,697.00
Total Other Financing Sources (Uses)	0.00	0.00	2,697.00	2,697.00
Net Change in Fund Balances	(49,200.00)	(87,295.00)	37,580.70	124,875.70
Fund Balance - Beginning	1,158,344.71	1,158,344.71	1,158,344.71	0.00
FUND BALANCE - ENDING	1,109,144.71	1,071,049.71	1,195,925.41	124,875.70

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	297,320.00	297,320.00	297,353.89	33.89
General Sales and Use Taxes	219,000.00	219,000.00	249,176.23	30,176.23
Amusement Taxes	0.00	0.00	24.00	24.00
Penalties and Interest on Delinquent Taxes	0.00	0.00	363.68	363.68
Total Taxes	516,320.00	516,320.00	546,917.80	30,597.80
Licenses and Permits	3,600.00	3,600.00	2,897.50	(702.50)
Intergovernmental Revenue:				
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,315.16	115.16
Liquor Tax Reversion	5,800.00	5,800.00	6,167.08	367.08
Motor Vehicle Licenses	8,000.00	8,000.00	11,446.73	3,446.73
Local Government Highway and Bridge Fund	14,000.00	14,000.00	17,392.32	3,392.32
County Shared Revenue:				
County Road Tax	580.00	580.00	587.74	7.74
County Wheel Tax	2,000.00	2,000.00	1,680.84	(319.16)
Total Intergovernmental Revenue	31,580.00	31,580.00	38,589.87	7,009.87
Charges for Goods and Services:				
General Government	0.00	0.00	34.95	34.95
Highways and Streets	0.00	0.00	732.00	732.00
Sanitation	72,100.00	72,100.00	70,617.70	(1,482.30)
Health	0.00	0.00	380.00	380.00
Culture and Recreation	5,600.00	5,600.00	10,890.78	5,290.78
Total Charges for Goods & Services	77,700.00	77,700.00	82,655.43	4,955.43
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	91.00	(9.00)
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	3,036.19	1,036.19
Rentals	0.00	0.00	100.00	100.00
Other	7,000.00	7,000.00	5,216.03	(1,783.97)
Total Miscellaneous Revenue	9,000.00	9,000.00	8,352.22	(647.78)
Total Revenue	638,300.00	638,300.00	679,503.82	41,203.82

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	9,000.00	9,000.00	9,000.00	0.00
Contingency	19,526.00	19,526.00		
Amount Transferred		(1,383.47)		18,142.53
Executive	19,303.00	19,303.00	15,468.36	3,834.64
Financial Administration	72,116.00	72,272.27	72,428.54	(156.27)
Other	54,280.00	54,615.00	46,324.44	8,290.56
Total General Government	<u>174,225.00</u>	<u>173,332.80</u>	<u>143,221.34</u>	<u>30,111.46</u>
Public Safety:				
Police	49,530.00	49,885.85	50,241.70	(355.85)
Fire	21,100.00	21,280.14	21,460.28	(180.14)
Other Protection	3,500.00	3,500.00	192.84	3,307.16
Total Public Safety	<u>74,130.00</u>	<u>74,665.99</u>	<u>71,894.82</u>	<u>2,771.17</u>
Public Works:				
Highways and Streets	200,517.00	200,860.61	196,070.40	4,790.21
Sanitation	81,409.00	81,409.00	77,223.39	4,185.61
Total Public Works	<u>281,926.00</u>	<u>282,269.61</u>	<u>273,293.79</u>	<u>8,975.82</u>
Health and Welfare:				
Health	<u>3,000.00</u>	<u>3,000.00</u>	<u>2,853.64</u>	<u>146.36</u>
Culture and Recreation:				
Recreation	42,595.00	42,595.00	29,033.67	13,561.33
Parks	43,555.00	47,832.72	34,669.40	13,163.32
Libraries	2,000.00	2,012.60	2,025.20	(12.60)
Total Culture and Recreation	<u>88,150.00</u>	<u>92,440.32</u>	<u>65,728.27</u>	<u>26,712.05</u>
Conservation and Development:				
Economic Development & Assistance (Industrial Development)	<u>21,169.00</u>	<u>21,169.00</u>	<u>20,225.00</u>	<u>944.00</u>
Total Expenditures	<u>642,600.00</u>	<u>646,877.72</u>	<u>577,216.86</u>	<u>69,660.86</u>
Excess of Revenue Over (Under) Expenditures	<u>(4,300.00)</u>	<u>(8,577.72)</u>	<u>102,286.96</u>	<u>110,864.68</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	90,652.76	90,652.76
Compensation for Loss or Damage to Capital Assets	0.00	4,277.72	4,277.72	0.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>4,277.72</u>	<u>94,930.48</u>	<u>90,652.76</u>
Net Change in Fund Balances	<u>(4,300.00)</u>	<u>(4,300.00)</u>	<u>197,217.44</u>	<u>201,517.44</u>
Fund Balance - Beginning	961,127.27	961,127.27	961,127.27	0.00
FUND BALANCE - ENDING	<u>956,827.27</u>	<u>956,827.27</u>	<u>1,158,344.71</u>	<u>201,517.44</u>

NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting

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

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

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

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

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

NOTE 2. Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences:

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

SUPPLEMENTARY INFORMATION

LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance 01/01/14	Additions	Deletions	Ending Balance 12/31/2015	Due Within One Year
Primary Government:					
Business-Type Activities:					
SRF Clean Water Revenue					
Borrower Bond, Series 2008	1,619,437.20		73,764.84	1,545,672.36	38,855.71
Total Business-Type Activities	<u>1,619,437.20</u>	<u>0.00</u>	<u>73,764.84</u>	<u>1,545,672.36</u>	<u>38,855.71</u>
TOTAL PRIMARY GOVERNMENT	<u>1,619,437.20</u>	<u>0.00</u>	<u>73,764.84</u>	<u>1,545,672.36</u>	<u>38,855.71</u>

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

Revenue Bonds:

SRF Clean Water Revenue Borrower Bond, Series 2008:

For Sanitary Sewer Improvements Project, \$1,545,672.36
Interest Rate 3.50%, Maturity January 15, 2041
Payable from Sewer Fund

The annual requirements to amortize all debt outstanding as of December 31, 2015, are as follows:

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

Year Ending December 31,	SRF Clean Water Borrower Bond Series 2008	
	Principal	Interest
2016	38,855.71	53,592.25
2017	40,233.61	52,214.35
2018	41,660.37	50,787.59
2019	43,137.74	49,310.22
2020	44,667.49	47,780.47
2021-2025	248,251.23	213,988.57
2026-2030	295,503.31	166,736.49
2031-2035	351,749.36	110,490.44
2036-2040	418,701.26	43,538.54
2041-2045	22,912.28	199.71
Totals	<u>1,545,672.36</u>	<u>788,638.63</u>