

**MUNICIPALITY OF MENNO
MENNO, 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 MENNO

MUNICIPAL OFFICIALS
DECEMBER 31, 2015

MAYOR:

Darrell Mehlhaf

GOVERNING BOARD:

Galen Guthmiller – President
Ronald Diede – Vice-President
George Cokens
Jerry Fischer
Jerome Kotalik
Scott Simonsen

FINANCE OFFICER:

Peggy Thranum

ATTORNEY:

Ken Bertsch

Schoenfish & Co., Inc.

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Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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**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 Menno
Menno, 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 financial statements of the governmental activities, business-type activities, and each major fund of the Municipality of Menno, South Dakota (Municipality), as of December 31, 2015 and for each of the years in the biennial period then ended and have issued our report thereon dated May 11, 2016, which was qualified for the business-type activities and the water fund because interfund services were not recorded.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

The Municipality of Menno's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. We did not audit the Municipality's response and, accordingly, we express no opinion on the response.

We also noted certain additional matters that we have reported to the management of the Municipality in a separate communication dated May 11, 2016.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Municipality of Menno, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
May 11, 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:

Internal Control – Related Finding – Material Weakness:

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 as current audit finding number 2015-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2015-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is the fifth consecutive audit in which a similar comment has occurred.

Criteria:

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

Condition:

The Finance Officer processes all revenue transactions from beginning to end. The Finance Officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

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 Menno 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 Menno Mayor, Darrell Mehlhaf, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Menno, 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 provide compensating controls.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the Mayor, Finance Officer and prior Finance Officer on May 27, 2016.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Menno
Menno, 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 Menno, 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.

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, and each major fund of the Municipality of Menno 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 Schedule of Interim Financing and 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 dated May 11, 2016 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
May 11, 2016

Schoenfish & Co., Inc.

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	317,796.59	34,907.78	352,704.37
Investments	524,589.40	144,843.81	669,433.21
Restricted Assets:			
Cash and Cash Equivalents		142,622.89	142,622.89
TOTAL ASSETS	842,385.99	322,374.48	1,164,760.47
NET POSITION:			
Restricted:			
Debt Service Purposes	93,637.10	142,622.89	236,259.99
Equipment Repair and/or Replacement		79,678.51	79,678.51
Permanently Restricted Purposes:			
Expendable	9,679.86		9,679.86
Non-Expendable	50,000.00		50,000.00
Unrestricted	689,069.03	100,073.08	789,142.11
TOTAL NET POSITION	842,385.99	322,374.48	1,164,760.47

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

MUNICIPALITY OF MENNO
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	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	72,009.58	7,880.00			(64,129.58)		(64,129.58)
Public Safety	99,739.86	113.75			(99,626.11)		(99,626.11)
Public Works	233,985.08	62,566.98	33,239.18	2,500.00	(135,678.92)		(135,678.92)
Health and Welfare	19,351.58	33,356.89	1,392.00		15,397.31		15,397.31
Culture and Recreation	73,735.28	6,379.00			(67,356.28)		(67,356.28)
Conservation and Development	13,918.84				(13,918.84)		(13,918.84)
*Interest on Long-Term Debt	61,387.24				(61,387.24)		(61,387.24)
Total Governmental Activities	574,127.46	110,296.62	34,631.18	2,500.00	(426,699.66)		(426,699.66)
Business-type Activities:							
Water	211,893.11	139,415.65				(72,477.46)	(72,477.46)
Sewer	802,183.38	157,631.95				(644,551.43)	(644,551.43)
Total Business-Type Activities	1,014,076.49	297,047.60	0.00	0.00		(717,028.89)	(717,028.89)
Total Primary Government	1,588,203.95	407,344.22	34,631.18	2,500.00	(426,699.66)	(717,028.89)	(1,143,728.55)
General Revenues:							
Taxes:							
Property Taxes					224,498.96		224,498.96
Sales Taxes					223,228.95		223,228.95
State Shared Revenues					6,946.10		6,946.10
Grants and Contributions not Restricted to Specific Programs					120.00		120.00
Unrestricted Investment Earnings					1,281.78	551.42	1,833.20
Debt Issued					8,439.02	748,641.19	757,080.21
Transfers					29,736.00	(29,736.00)	0.00
Total General Revenues and Transfers					494,250.81	719,456.61	1,213,707.42
Change in Net Position					67,551.15	2,427.72	69,978.87
Net Position - Beginning					774,834.84	319,946.76	1,094,781.60
NET POSITION - ENDING					842,385.99	322,374.48	1,164,760.47

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

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

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

	<u>General Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>GO Bond Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	284,996.65	552.86	32,247.08	317,796.59
Investments	404,072.38	59,127.00	61,390.02	524,589.40
TOTAL ASSETS	<u>689,069.03</u>	<u>59,679.86</u>	<u>93,637.10</u>	<u>842,385.99</u>
FUND BALANCES:				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Debt Service			93,637.10	93,637.10
Restricted for Cemetery Perpetual Care		9,679.86		9,679.86
Assigned for Capital Outlay Equipment	309,072.38			309,072.38
Assigned for Next Year's Budget	44,802.00			44,802.00
Unassigned	335,194.65			335,194.65
TOTAL FUND BALANCES	<u>689,069.03</u>	<u>59,679.86</u>	<u>93,637.10</u>	<u>842,385.99</u>

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

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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	210,155.13		13,648.11	223,803.24
General Sales and Use Taxes	223,228.95			223,228.95
Amusement Taxes	36.00			36.00
Penalties & Interest on Delinquent Taxes	589.02		70.70	659.72
Total Taxes	434,009.10	0.00	13,718.81	447,727.91
Licenses and Permits	5,260.00	0.00	0.00	5,260.00
Intergovernmental Revenue:				
State Grants	1,392.00			1,392.00
State Shared Revenue:				
Bank Franchise Tax	3,165.36			3,165.36
Liquor Tax Reversion	3,780.74			3,780.74
Motor Vehicle Licenses	10,005.14			10,005.14
Local Government Highway and Bridge Fund	17,050.05			17,050.05
Other	2,078.88			2,078.88
County Shared Revenue:				
County Road Tax	1,272.04			1,272.04
County Wheel Tax	2,833.07			2,833.07
Total Intergovernmental Revenue	41,577.28	0.00	0.00	41,577.28
Charges for Goods and Services:				
Highways & Streets	1,920.00			1,920.00
Sanitation	53,601.98			53,601.98
Culture and Recreation	6,379.00			6,379.00
Ambulance	33,356.89			33,356.89
Cemetery	3,500.00	3,500.00		7,000.00
Total Charges for Goods and Services	98,757.87	3,500.00	0.00	102,257.87
Fines and Forfeits:				
Court Fines and Costs	113.75			113.75
Library	3.00			3.00
Other	2,095.00			2,095.00
Total Fines and Forfeits	2,211.75	0.00	0.00	2,211.75
Miscellaneous Revenue:				
Investment Earnings	1,214.01	20.91	46.86	1,281.78
Rentals	525.00			525.00
Special Assessments	42.00			42.00
Contributions and Donations from Private Sources	2,620.00			2,620.00
Other	7,256.02			7,256.02
Total Miscellaneous Revenue	11,657.03	20.91	46.86	11,724.80
Total Revenue	593,473.03	3,520.91	13,765.67	610,759.61
Expenditures:				
General Government:				
Legislative	16,210.45			16,210.45
Executive	3,501.09			3,501.09
Elections	77.11			77.11
Financial Administration	42,723.40			42,723.40
Other	9,497.53			9,497.53
Total General Government	72,009.58	0.00	0.00	72,009.58

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

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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Expenditures (Continued):				
Public Safety:				
Police	83,400.35			83,400.35
Fire	16,339.51			16,339.51
Total Public Safety	99,739.86	0.00	0.00	99,739.86
Public Works:				
Highways and Streets	152,792.02			152,792.02
Sanitation	56,798.32			56,798.32
Cemeteries	24,394.74			24,394.74
Total Public Works	233,985.08	0.00	0.00	233,985.08
Health and Welfare:				
Health	2,725.31			2,725.31
Ambulance	16,626.27			16,626.27
Total Health and Welfare	19,351.58	0.00	0.00	19,351.58
Culture and Recreation:				
Recreation	33,427.49			33,427.49
Parks	31,373.92			31,373.92
Libraries	6,156.87			6,156.87
Auditorium	2,015.00			2,015.00
Museums	762.00			762.00
Total Culture and Recreation	73,735.28	0.00	0.00	73,735.28
Conservation and Development:				
Economic Opportunity and Assistance (Industrial Development)	13,918.84			13,918.84
Total Conservation and Development	13,918.84	0.00	0.00	13,918.84
Debt Service	0.00	0.00	61,387.24	61,387.24
Total Expenditures	512,740.22	0.00	61,387.24	574,127.46
Excess Revenues Over (Under) Expenditures	80,732.81	3,520.91	(47,621.57)	36,632.15
Other Financing Sources (Uses):				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Sale of Municipal Property	171.00			171.00
Compensation for Loss or Damage to Capital Assets	1,012.00			1,012.00
Total Other Financing Sources (Uses)	(23,817.00)	0.00	54,736.00	30,919.00
Net Change in Fund Balance	56,915.81	3,520.91	7,114.43	67,551.15
Fund Balance - Beginning	632,153.22	56,158.95	86,522.67	774,834.84
FUND BALANCE - ENDING	689,069.03	59,679.86	93,637.10	842,385.99

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	16,037.96	18,869.82	34,907.78
Investments	16,160.67	128,683.14	144,843.81
Total Current Assets	32,198.63	147,552.96	179,751.59
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	17,464.41	125,158.48	142,622.89
Total Noncurrent Assets	17,464.41	125,158.48	142,622.89
TOTAL ASSETS	49,663.04	272,711.44	322,374.48
NET POSITION:			
Restricted for:			
Revenue Bond Debt Service	17,464.41	125,158.48	142,622.89
Equipment Repair and/or Replacement	16,160.67	63,517.84	79,678.51
Unrestricted Net Position	16,037.96	84,035.12	100,073.08
TOTAL NET POSITION	49,663.04	272,711.44	322,374.48

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	123,454.07	101,745.31	225,199.38
Revenued Dedicated to Servicing Debt	15,311.58	55,886.64	71,198.22
Miscellaenous	650.00		650.00
Total Operating Revenue	<u>139,415.65</u>	<u>157,631.95</u>	<u>297,047.60</u>
Operating Expenses:			
Personal Services	30,941.10	30,616.78	61,557.88
Other Current Expense	10,079.23	15,300.58	25,379.81
Materials	60,314.00		60,314.00
Capital Assets	97,376.50	740,871.38	838,247.88
Total Operating Expenses	<u>198,710.83</u>	<u>786,788.74</u>	<u>985,499.57</u>
Operating Income (Loss)	<u>(59,295.18)</u>	<u>(629,156.79)</u>	<u>(688,451.97)</u>
Non-operating Revenue (Expenses):			
Investment Earnings	113.61	437.81	551.42
Debt Service (Principal)	(11,047.47)	(7,653.24)	(18,700.71)
Interest Expense	(2,134.81)	(7,741.40)	(9,876.21)
Long-Term Debt Issued		748,641.19	748,641.19
Total Non-operating Revenue (Expenses)	<u>(13,068.67)</u>	<u>733,684.36</u>	<u>720,615.69</u>
Income (Loss) Before Transfers	<u>(72,363.85)</u>	<u>104,527.57</u>	<u>32,163.72</u>
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	<u>(72,363.85)</u>	<u>74,791.57</u>	<u>2,427.72</u>
Net Position - Beginning	<u>122,026.89</u>	<u>197,919.87</u>	<u>319,946.76</u>
NET POSITION - ENDING	<u><u>49,663.04</u></u>	<u><u>272,711.44</u></u>	<u><u>322,374.48</u></u>

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

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	373,365.28	113,869.77	487,235.05
Investments	401,469.56	145,476.47	546,946.03
Restricted Assets:			
Cash and Cash Equivalents		60,600.52	60,600.52
TOTAL ASSETS	774,834.84	319,946.76	1,094,781.60
NET POSITION:			
Restricted:			
Debt Service Purposes	86,522.67	60,600.52	147,123.19
Equipment Repair and/or Replacement		125,418.59	125,418.59
Permanently Restricted Purposes:			
Expendable	6,158.95		6,158.95
Non-Expendable	50,000.00		50,000.00
Unrestricted	632,153.22	133,927.65	766,080.87
TOTAL NET POSITION	774,834.84	319,946.76	1,094,781.60

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue 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	69,484.53	6,340.00			(63,144.53)		(63,144.53)
Public Safety	83,279.14	25.00	30,793.22		(52,460.92)		(52,460.92)
Public Works	270,958.29	55,264.18	2,973.00		(212,721.11)		(212,721.11)
Health and Welfare	52,806.71	42,496.80	1,500.00		(8,809.91)		(8,809.91)
Culture and Recreation	75,218.85	5,412.00			(69,806.85)		(69,806.85)
Conservation and Development	28,806.01				(28,806.01)		(28,806.01)
*Interest on Long-Term Debt	38,655.98				(38,655.98)		(38,655.98)
Total Governmental Activities	619,209.51	109,537.98	35,266.22	0.00	(474,405.31)		(474,405.31)
Business-type Activities:							
Water	122,825.68	149,684.48				26,858.80	26,858.80
Sewer	460,329.50	126,875.96				(333,453.54)	(333,453.54)
Total Business-Type Activities	583,155.18	276,560.44	0.00	0.00		(306,594.74)	(306,594.74)
Total Primary Government	1,202,364.69	386,098.42	35,266.22	0.00	(474,405.31)	(306,594.74)	(781,000.05)
General Revenues:							
Taxes:							
Property Taxes					274,361.95		274,361.95
Sales Taxes					200,173.16		200,173.16
State Shared Revenues					9,507.61		9,507.61
Grants and Contributions not Restricted to Specific Programs					50.00		50.00
Unrestricted Investment Earnings					1,259.78	582.44	1,842.22
Debt Issued					390,475.00		390,475.00
Miscellaneous Revenue					19,529.49		19,529.49
Transfers					(360,739.00)	360,739.00	0.00
Total General Revenues and Transfers					534,617.99	361,321.44	895,939.43
Change in Net Position					60,212.68	54,726.70	114,939.38
Net Position - Beginning					714,622.16	265,220.06	979,842.22
NET POSITION - ENDING					774,834.84	319,946.76	1,094,781.60

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

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

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

	<u>General Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>GO Bond Debt Service Fund</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	286,310.66	531.95	86,522.67	373,365.28
Investments	345,842.56	55,627.00		401,469.56
TOTAL ASSETS	<u>632,153.22</u>	<u>56,158.95</u>	<u>86,522.67</u>	<u>774,834.84</u>
FUND BALANCES:				
Nonspendable for Cemetery Perpetual Care		50,000.00		50,000.00
Restricted for Debt Service			86,522.67	86,522.67
Restricted for Cemetery Perpetual Care		6,158.95		6,158.95
Assigned for Capital Outlay Equipment	295,842.56			295,842.56
Assigned for Next Year's Budget	45,929.00			45,929.00
Unassigned	290,381.66			290,381.66
TOTAL FUND BALANCES	<u>632,153.22</u>	<u>56,158.95</u>	<u>86,522.67</u>	<u>774,834.84</u>

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

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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Revenues:				
Taxes:				
General Property Taxes	203,409.13		70,375.53	273,784.66
General Sales and Use Taxes	200,173.16			200,173.16
Amusement Taxes	36.00			36.00
Tax Deed Revenue	200.41			200.41
Penalties & Interest on Delinquent Taxes	298.21		42.67	340.88
Total Taxes	404,116.91	0.00	70,418.20	474,535.11
Licenses and Permits	5,130.00	0.00	0.00	5,130.00
Intergovernmental Revenue:				
State Grants	1,973.00			1,973.00
State Shared Revenue:				
Bank Franchise Tax	4,468.79			4,468.79
Liquor Tax Reversion	5,038.82			5,038.82
Motor Vehicle Licenses	8,898.91			8,898.91
Local Government Highway and Bridge Fund	16,786.32			16,786.32
Other	2,086.81			2,086.81
County Shared Revenue:				
County Road Tax	696.54			696.54
County Wheel Tax	2,314.64			2,314.64
Total Intergovernmental Revenue	42,263.83	0.00	0.00	42,263.83
Charges for Goods and Services:				
Highways & Streets	1,020.00			1,020.00
Sanitation	52,644.18			52,644.18
Culture and Recreation	5,412.00			5,412.00
Ambulance	42,496.80			42,496.80
Cemetery	800.00	800.00		1,600.00
Total Charges for Goods and Services	102,372.98	800.00	0.00	103,172.98
Fines and Forfeits:				
Court Fines and Costs	25.00			25.00
Other	1,110.00			1,110.00
Total Fines and Forfeits	1,135.00	0.00	0.00	1,135.00
Miscellaneous Revenue:				
Investment Earnings	1,235.33		24.45	1,259.78
Rentals	100.00			100.00
Contributions and Donations from Private Sources	2,550.00	10.00		2,560.00
Other	14,099.93			14,099.93
Total Miscellaneous Revenue	17,985.26	10.00	24.45	18,019.71
Total Revenue	573,003.98	810.00	70,442.65	644,256.63
Expenditures:				
General Government:				
Legislative	14,208.34			14,208.34
Executive	2,609.78			2,609.78
Elections	137.43			137.43
Financial Administration	43,311.85			43,311.85
Other	9,217.13			9,217.13
Total General Government	69,484.53	0.00	0.00	69,484.53

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

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

	General Fund	Cemetery Perpetual Care Fund	GO Bond Debt Service Fund	Total
Expenditures (Continued):				
Public Safety:				
Police	69,838.14			69,838.14
Fire	13,441.00			13,441.00
Total Public Safety	83,279.14	0.00	0.00	83,279.14
Public Works:				
Highways and Streets	208,894.71			208,894.71
Sanitation	52,204.30		390,475.00	442,679.30
Cemeteries	9,859.28			9,859.28
Total Public Works	270,958.29	0.00	390,475.00	661,433.29
Health and Welfare:				
Health	2,947.62			2,947.62
Ambulance	49,859.09			49,859.09
Total Health and Welfare	52,806.71	0.00	0.00	52,806.71
Culture and Recreation:				
Recreation	27,811.45			27,811.45
Parks	38,323.93			38,323.93
Libraries	6,390.47			6,390.47
Auditorium	2,015.00			2,015.00
Museums	678.00			678.00
Total Culture and Recreation	75,218.85	0.00	0.00	75,218.85
Conservation and Development:				
Economic Opportunity and Assistance (Industrial Development)	28,806.01			28,806.01
Total Conservation and Development	28,806.01	0.00	0.00	28,806.01
Debt Service	0.00	0.00	38,655.98	38,655.98
Total Expenditures	580,553.53	0.00	429,130.98	1,009,684.51
Excess Revenues Over (Under) Expenditures	(7,549.55)	810.00	(358,688.33)	(365,427.88)
Other Financing Sources (Uses):				
Transfers In			54,736.00	54,736.00
Transfers Out	(25,000.00)			(25,000.00)
Sale of Municipal Property	5,429.56			5,429.56
Long-Term Debt Issued			390,475.00	390,475.00
Total Other Financing Sources (Uses)	(19,570.44)	0.00	445,211.00	425,640.56
Net Change in Fund Balance	(27,119.99)	810.00	86,522.67	60,212.68
Fund Balance - Beginning	659,273.21	55,348.95	0.00	714,622.16
FUND BALANCE - ENDING	632,153.22	56,158.95	86,522.67	774,834.84

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	72,265.28	41,604.49	113,869.77
Investments	35,153.51	110,322.96	145,476.47
Total Current Assets	107,418.79	151,927.45	259,346.24
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	14,608.10	45,992.42	60,600.52
Total Noncurrent Assets	14,608.10	45,992.42	60,600.52
TOTAL ASSETS	122,026.89	197,919.87	319,946.76
NET POSITION:			
Restricted for:			
Revenue Bond Debt Service	14,608.10	45,992.42	60,600.52
Equipment Repair and/or Replacement	15,095.63	110,322.96	125,418.59
Unrestricted Net Position	92,323.16	41,604.49	133,927.65
TOTAL NET POSITION	122,026.89	197,919.87	319,946.76

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Charges for Goods and Services	134,178.84	96,010.01	230,188.85
Revenued Dedicated to Servicing Debt	15,505.64	30,834.78	46,340.42
Miscellaneous		31.17	31.17
Total Operating Revenue	149,684.48	126,875.96	276,560.44
Operating Expenses:			
Personal Services	28,732.21	28,599.48	57,331.69
Other Current Expense	19,243.89	15,924.12	35,168.01
Materials	61,667.30		61,667.30
Capital Assets		403,038.06	403,038.06
Total Operating Expenses	109,643.40	447,561.66	557,205.06
Operating Income (Loss)	40,041.08	(320,685.70)	(280,644.62)
Non-operating Revenue (Expenses):			
Investment Earnings	181.44	401.00	582.44
Debt Service (Principal)	(10,802.37)	(7,427.90)	(18,230.27)
Interest Expense	(2,379.91)	(5,339.94)	(7,719.85)
Total Non-operating Revenue (Expenses)	(13,000.84)	(12,366.84)	(25,367.68)
Income (Loss) Before Contributions and Transfers	27,040.24	(333,052.54)	(306,012.30)
Capital Contributions		390,475.00	390,475.00
Transfers Out		(29,736.00)	(29,736.00)
Change in Net Position	27,040.24	27,686.46	54,726.70
Net Position - Beginning	94,986.65	170,233.41	265,220.06
NET POSITION - ENDING	122,026.89	197,919.87	319,946.76

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

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 Menno (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

See Independent Auditor's Report.

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.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

GO Bond Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related costs. This is a major fund.

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 a major fund.

Proprietary Funds:

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

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

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

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

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 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 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:

Long-term liabilities include, but are not limited to, General Obligation Bonds, and Revenue Bonds.

As discussed in Note 1c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type 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.

f. Revenue Received in Advance:

Under the modified cash basis of accounting, cash may have been received in advance of the Municipality's providing a good or service to a customer. These amounts are reported in the financial statements, in the year the cash is received.

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 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

i. Equity Classifications:

Government-wide Statements:

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

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

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.

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 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.

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:

	<u>12/31/2015</u>
General Fund:	
Activity:	
General Government – Other	\$ 59.53
Public Safety – Police	2,026.35
Public Works – Cemeteries	161.74

The Municipality plans to take the following actions to address these violations:

- Use supplemental ordinances when legally allowed.

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

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

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

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

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

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.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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

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

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

4. PROPERTY TAXES

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

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

5. WATER PURCHASE AGREEMENT

In 1986, the Municipality of Menno entered into a 40-year agreement with B-Y Water to provide water to the Municipality. A monthly service charge in the amount of \$680 is paid by the Municipality to B-Y Water along with a charge of \$3.10 per 1,000 gallons of water consumed. The monthly service charge represents a contribution by the Municipality to aid B-Y Water in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

6. RESTRICTED NET POSITION

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

Major Funds	<u>12/31/2014</u>	<u>12/31/2015</u>
Cemetery Perpetual Care Fund		
Expendable	6,158.95	9,679.86
Non-Expendable	50,000.00	50,000.00
Debt Service		
General Obligation Bond Fund	86,522.67	93,637.10
Water Fund	14,608.10	17,464.41
Sewer Fund	45,992.42	125,158.48
Equipment Repair and/or Replacement		
Water Fund	15,095.63	16,160.67
Sewer Fund	110,322.96	63,517.84
Total Restricted Net Position	<u>328,700.73</u>	<u>375,618.36</u>

These balances are restricted due to statutory requirements and loan agreements.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

7. RETIREMENT PLAN

Plan Information:

All employees, except for part-time employees, 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 provide 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 provision 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 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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent 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 \$10,110.10, \$8,873.99, and \$9,745.37, 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:

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

Proportionate share of net position restricted for pension benefits	\$ 896,014.89
Less proportionate share of total pension liability	<u>\$ 860,750.72</u>
Proportionate share of net pension liability (asset)	<u>\$ (35,264.17)</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 0.0083145%, which is a decrease of 0.0007602% 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%	0.8%

Total	100%	
	=====	

See Independent Auditor's Report.

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 the 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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 88,759.52	\$(35,264.17)	\$(136,394.81)

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.

Liability Insurance:

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

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (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,

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
(Continued)

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 and has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

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

Unemployment Benefits:

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

10. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers to:</u> G.O. Bond Debt Service Fund
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	<u>29,736.00</u>
Total	<u>\$ 54,736.00</u>

Interfund transfers for the year ended December 31, 2014 were as follows:

<u>Transfers From:</u>	<u>Transfers to:</u> G.O. Bond Debt Service Fund
Major Funds:	
General Fund	\$ 25,000.00
Sewer Fund	<u>29,736.00</u>
Total	<u>\$ 54,736.00</u>

The Municipality typically budgets transfers to the G.O. Bond Debt Service Fund to conduct the indispensable functions of the Municipality.

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	209,556.00	209,556.00	210,155.13	599.13
General Sales and Use Taxes	190,759.00	190,759.00	223,228.95	32,469.95
Amusement Taxes	40.00	40.00	36.00	(4.00)
Penalties and Interest on Delinquent Taxes	300.00	300.00	589.02	289.02
Total Taxes	400,655.00	400,655.00	434,009.10	33,354.10
Licenses and Permits	4,650.00	4,650.00	5,260.00	610.00
Intergovernmental Revenue:				
State Grants	0.00	1,392.00	1,392.00	0.00
State Shared Revenue:				
Bank Franchise Tax	3,000.00	3,000.00	3,165.36	165.36
Liquor Tax Reversion	4,565.00	4,565.00	3,780.74	(784.26)
Motor Vehicle Licenses	5,762.00	5,762.00	10,005.14	4,243.14
Local Government Highway and Bridge Fund	11,959.00	11,959.00	17,050.05	5,091.05
Other	1,886.00	1,886.00	2,078.88	192.88
County Shared Revenue:				
County Road Tax	872.00	872.00	1,272.04	400.04
County Wheel Tax	2,899.00	2,899.00	2,833.07	(65.93)
Total Intergovernmental Revenue	30,943.00	32,335.00	41,577.28	9,242.28
Charges for Goods and Services:				
Highways and Streets	2,000.00	2,000.00	1,920.00	(80.00)
Sanitation	56,647.00	56,647.00	53,601.98	(3,045.02)
Culture and Recreation	4,208.00	4,208.00	6,379.00	2,171.00
Ambulance	34,179.00	34,179.00	33,356.89	(822.11)
Cemetery	300.00	300.00	3,500.00	3,200.00
Total Charges for Goods and Services	97,334.00	97,334.00	98,757.87	1,423.87
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	113.75	113.75
Library	0.00	0.00	3.00	3.00
Other	1,003.00	1,003.00	2,095.00	1,092.00
Total Fines and Forfeits	1,003.00	1,003.00	2,211.75	1,208.75
Miscellaneous Revenue:				
Investment Earnings	1,065.00	1,065.00	1,214.01	149.01
Rentals	100.00	100.00	525.00	425.00
Special Assessments	0.00	0.00	42.00	42.00
Contributions and Donations from Private Sources	0.00	0.00	2,620.00	2,620.00
Other	5,606.00	5,606.00	7,256.02	1,650.02
Total Miscellaneous Revenue	6,771.00	6,771.00	11,657.03	4,886.03
Total Revenue	541,356.00	542,748.00	593,473.03	50,725.03

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Legislative	18,044.00	18,044.00	16,210.45	1,833.55
Contingency	15,000.00	15,000.00		
Amount Transferred		(8,655.00)		6,345.00
Executive	4,543.00	4,543.00	3,501.09	1,041.91
Elections	725.00	725.00	77.11	647.89
Financial Administration	48,353.00	48,992.00	42,723.40	6,268.60
Other	8,776.00	9,438.00	9,497.53	(59.53)
Total General Government	95,441.00	88,087.00	72,009.58	16,077.42
Public Safety:				
Police	76,413.00	81,374.00	83,400.35	(2,026.35)
Fire	17,882.00	17,882.00	16,339.51	1,542.49
Total Public Safety	94,295.00	99,256.00	99,739.86	(483.86)
Public Works:				
Highways and Streets	203,833.00	203,833.00	152,792.02	51,040.98
Sanitation	59,141.00	59,141.00	56,798.32	2,342.68
Cemeteries	13,520.00	24,233.00	24,394.74	(161.74)
Total Public Works	276,494.00	287,207.00	233,985.08	53,221.92
Health and Welfare:				
Health	2,687.00	4,079.00	2,725.31	1,353.69
Ambulance	17,919.00	17,919.00	16,626.27	1,292.73
Total Health and Welfare	20,606.00	21,998.00	19,351.58	2,646.42
Culture and Recreation:				
Recreation	32,718.00	33,428.00	33,427.49	0.51
Parks	16,609.00	31,374.00	31,373.92	0.08
Libraries	6,681.00	6,681.00	6,156.87	524.13
Auditorium	3,520.00	3,520.00	2,015.00	1,505.00
Museums	762.00	762.00	762.00	0.00
Total Culture and Recreation	60,290.00	75,765.00	73,735.28	2,029.72
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	15,159.00	15,159.00	13,918.84	1,240.16
Total Conservation and Development	15,159.00	15,159.00	13,918.84	1,240.16
Total Expenditures	562,285.00	587,472.00	512,740.22	74,731.78
Excess of Revenues Over (Under) Expenditures	(20,929.00)	(44,724.00)	80,732.81	125,456.81

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

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Sale of Municipal Property	0.00	0.00	171.00	171.00
Compensation for Loss or Damage to Capital Assets	0.00	0.00	1,012.00	1,012.00
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(23,817.00)	1,183.00
Net Change in Fund Balances	(45,929.00)	(69,724.00)	56,915.81	126,639.81
Fund Balance - Beginning	632,153.22	632,153.22	632,153.22	0.00
FUND BALANCE - ENDING	586,224.22	562,429.22	689,069.03	126,639.81

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MENNO
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		
Revenues:				
Taxes:				
General Property Taxes	205,168.00	205,168.00	203,409.13	(1,758.87)
General Sales and Use Taxes	195,532.00	195,532.00	200,173.16	4,641.16
Amusement Taxes	48.00	48.00	36.00	(12.00)
Tax Deed Revenue	0.00	0.00	200.41	200.41
Penalties and Interest on Delinquent Taxes	224.00	224.00	298.21	74.21
Total Taxes	400,972.00	400,972.00	404,116.91	3,144.91
Licenses and Permits	4,400.00	4,400.00	5,130.00	730.00
Intergovernmental Revenue:				
State Grants	0.00	1,973.00	1,973.00	0.00
State Shared Revenue:				
Bank Franchise Tax	2,940.00	2,940.00	4,468.79	1,528.79
Liquor Tax Reversion	4,540.00	4,540.00	5,038.82	498.82
Motor Vehicle Licenses	5,242.00	5,242.00	8,898.91	3,656.91
Local Government Highway and Bridge Fund	11,091.00	11,091.00	16,786.32	5,695.32
Other	1,715.00	1,715.00	2,086.81	371.81
County Shared Revenue:				
County Road Tax	825.00	825.00	696.54	(128.46)
County Wheel Tax	2,517.00	2,517.00	2,314.64	(202.36)
Total Intergovernmental Revenue	28,870.00	30,843.00	42,263.83	11,420.83
Charges for Goods and Services:				
Highways and Streets	2,000.00	2,000.00	1,020.00	(980.00)
Sanitation	57,590.00	57,590.00	52,644.18	(4,945.82)
Culture and Recreation	4,590.00	4,590.00	5,412.00	822.00
Ambulance	36,492.00	36,492.00	42,496.80	6,004.80
Cemetery	200.00	200.00	800.00	600.00
Total Charges for Goods and Services	100,872.00	100,872.00	102,372.98	1,500.98
Fines and Forfeits:				
Court Fines and Costs	0.00	0.00	25.00	25.00
Other	1,002.00	1,002.00	1,110.00	108.00
Total Fines and Forfeits	1,002.00	1,002.00	1,135.00	133.00
Miscellaneous Revenue:				
Investment Earnings	1,248.00	1,248.00	1,235.33	(12.67)
Rentals	100.00	100.00	100.00	0.00
Contributions and Donations from Private Sources	0.00	2,500.00	2,550.00	50.00
Other	4,780.00	4,780.00	14,099.93	9,319.93
Total Miscellaneous Revenue	6,128.00	8,628.00	17,985.26	9,357.26
Total Revenue	542,244.00	546,717.00	573,003.98	26,286.98

SUPPLEMENTARY INFORMATION
MUNICIPALITY OF MENNO
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	15,566.00	15,566.00	14,208.34	1,357.66
Contingency	15,000.00	15,000.00		
Amount Transferred		(4,549.00)		10,451.00
Executive	3,532.00	3,532.00	2,609.78	922.22
Elections	700.00	700.00	137.43	562.57
Financial Administration	43,380.00	45,017.00	43,311.85	1,705.15
Other	8,490.00	9,218.00	9,217.13	0.87
Total General Government	86,668.00	84,484.00	69,484.53	14,999.47
Public Safety:				
Police	78,095.00	78,095.00	69,838.14	8,256.86
Fire	17,560.00	17,560.00	13,441.00	4,119.00
Total Public Safety	95,655.00	95,655.00	83,279.14	12,375.86
Public Works:				
Highways and Streets	197,174.00	227,957.00	208,894.71	19,062.29
Sanitation	59,027.00	59,027.00	52,204.30	6,822.70
Cemeteries	13,462.00	13,462.00	9,859.28	3,602.72
Total Public Works	269,663.00	300,446.00	270,958.29	29,487.71
Health and Welfare:				
Health	1,141.00	3,114.00	2,947.62	166.38
Ambulance	24,130.00	49,860.00	49,859.09	0.91
Total Health and Welfare	25,271.00	52,974.00	52,806.71	167.29
Culture and Recreation:				
Recreation	34,631.00	34,631.00	27,811.45	6,819.55
Parks	26,703.00	52,146.00	38,323.93	13,822.07
Libraries	6,631.00	6,681.00	6,390.47	290.53
Auditorium	2,025.00	2,025.00	2,015.00	10.00
Museums	678.00	678.00	678.00	0.00
Total Culture and Recreation	70,668.00	96,161.00	75,218.85	20,942.15
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	19,478.00	29,478.00	28,806.01	671.99
Total Conservation and Development	19,478.00	29,478.00	28,806.01	671.99
Total Expenditures	567,403.00	659,198.00	580,553.53	78,644.47
Excess of Revenues Over (Under) Expenditures	(25,159.00)	(112,481.00)	(7,549.55)	104,931.45
Other Financing Sources (Uses):				
Transfers Out	(25,000.00)	(25,000.00)	(25,000.00)	0.00
Sale of Municipal Property	0.00	0.00	5,429.56	5,429.56
Total Other Financing Sources (Uses)	(25,000.00)	(25,000.00)	(19,570.44)	5,429.56
Net Change in Fund Balances	(50,159.00)	(137,481.00)	(27,119.99)	110,361.01
Fund Balance - Beginning	659,273.21	659,273.21	659,273.21	0.00
FUND BALANCE - ENDING	609,114.21	521,792.21	632,153.22	110,361.01

NOTES TO THE SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting:

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

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

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

The Municipality did not encumber any amounts at December 31, 2015 and 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 are adopted on a basis consistent with the modified cash basis of accounting.

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

SUPPLEMENTARY INFORMATION

INTERIM CONSTRUCTION FINANCING

Interim construction financing activity for the two years ended December 31, 2015 was as follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/15
Loan	0.00	748,641.19	0.00	748,641.19

The above interim construction financing was issued for the purpose of construction of sewer and street projects.

SCHEDULE OF LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Borrower Bond, Series 2013	780,302.00	390,475.00	23,526.59	1,147,250.41	24,297.42
Total Governmental Activities	780,302.00	390,475.00	23,526.59	1,147,250.41	24,297.42
Business-Type Activities:					
Bonds Payable:					
SRF Clean Water Revenue Bonds, Series 2010	180,766.23		15,081.15	165,685.08	7,885.44
SRF Drinking Water Revenue Borrower Bond, Series 2012	109,805.80		21,849.85	87,955.95	11,298.16
Total Business-Type Activities	290,572.03	0.00	36,931.00	253,641.03	19,183.60
TOTAL PRIMARY GOVERNMENT	1,070,874.03	390,475.00	60,457.59	1,400,891.44	43,481.02

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

General Obligation Bonds:

General Obligation Borrower Bond, Series 2013
Interest Rate at 3.25%; Maturity Date of June 15, 2045;
Paid by Debt Service Fund

\$ 1,147,250.41

Revenue Bonds:

SRF Clean Water Revenue Bonds - Series 2010;
Interest Rate at 3.0%; Maturity Date of April 15, 2032;
Paid by Sewer Fund

\$ 165,685.08

SRF Drinking Water Revenue Borrower Bonds - Series 2012;
Interest Rate at 2.25%; Maturity Date of January 15, 2023;
Paid by Water Fund

\$ 87,955.95

SUPPLEMENTARY INFORMATION
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments of \$685,579.00, are as follows:

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

Year Ending Dec. 31,	General Obligation Borrower Bond Series 2013		SRF Clean Water Revenue Bond Series 2010	
	Principal	Interest	Principal	Interest
2016	24,297.42	37,089.82	7,885.44	4,882.40
2017	25,093.50	36,293.74	8,124.69	4,643.15
2018	25,915.67	35,471.57	8,371.18	4,396.66
2019	26,764.77	34,622.47	8,625.16	4,142.68
2020	27,641.69	33,745.55	8,886.83	3,881.01
2021-2025	152,401.48	154,534.72	48,645.84	15,193.36
2026-2030	179,058.44	127,877.76	56,486.78	7,352.42
2031-2035	210,378.04	96,558.16	18,659.16	492.60
2036-2040	247,175.82	59,760.38		
2041-2045	228,523.58	17,024.97		
Totals	<u>1,147,250.41</u>	<u>632,979.14</u>	<u>165,685.08</u>	<u>44,984.28</u>

Year Ending Dec. 31,	SRF Drinking Water Revenue Borrower Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest
2016	11,298.16	1,884.12	43,481.02	43,856.34
2017	11,554.51	1,627.77	44,772.70	42,564.66
2018	11,816.69	1,365.59	46,103.54	41,233.82
2019	12,084.82	1,097.46	47,474.75	39,862.61
2020	12,359.04	823.24	48,887.56	38,449.80
2021-2025	28,842.73	817.40	229,890.05	170,545.48
2026-2030			235,545.22	135,230.18
2031-2035			229,037.20	97,050.76
2036-2040			247,175.82	59,760.38
2041-2045			228,523.58	17,024.97
Totals	<u>87,955.95</u>	<u>7,615.58</u>	<u>1,400,891.44</u>	<u>685,579.00</u>