

CITY OF MILLER
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2015 AND 2014

**CITY OF MILLER
CITY OFFICIALS
DECEMBER 31, 2015**

Mayor:

Ronald Blachford

Governing Board:

Anthony Rangel
Gale Auch
Tom Winsell
Mary Johnson
Joe Zeller
Jim Odegaard

Finance Officer:

Sheila Coss

Attorney:

Riter, Rogers, Wattier & Northrup, LLP

CITY OF MILLER

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CITY OF MILLER

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

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

City Council
City of Miller
Miller, 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, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 2015, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2016, which was adverse for the discretely presented component unit because there were no audited financial statements available for the component unit in 2014 or 2015 and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and Questioned Costs, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2015-01, #2015-02, and #2015-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items #2015-04, #2015-05 and #2015-06.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Corrective Action Plans. The City'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 City'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.

Kollman, Bierbach & Anderson, LLP

September 8, 2016

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

City Council
City of Miller
Miller, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Miller, South Dakota (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the biennial period ended December 31, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Miller complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the biennial period ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Kohlman, Bierschbach & Anderson, L.L.P.
September 8, 2016

CITY OF MILLER
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

PRIOR AUDIT FINDINGS:

#2013-01

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity. This comment has not been corrected and is restated as current other audit finding #2015-01.

#2013-02

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This comment has not been corrected and is restated as current other audit finding #2015-02.

#2013-03

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment has not been corrected and is restated as current other audit finding #2015-03.

#2013-04

For the year ended December 31, 2012, the City went over budget in the General Fund in the account Debt Service by \$188,767, in the account Police by \$6,265, and in the account Health by \$2,246. For the year ended December 31, 2013, the City went over budget in the General Fund in the account Debt Service by \$191,402, in the account Financial Administration by \$5,447, in the account Other General Government by \$57, in the account Police by \$10,681, in the account Fire by \$2,418, in the account Airport by \$18,136, in the account Parks by \$1,451, in account Urban Redevelopment and Housing by \$156, and in the account Transfers Out by \$1,286. This comment has not been corrected and is restated as current other audit finding #2015-05.

#2013-05

It was determined that for a portion of 2012 there was no specific surcharge being charged. Then after August 2012, a surcharge was being charged, but it was not being segregated from the other electric charges to be able to determine that the proper amount was being charged. In 2013, the surcharge was being segregated. However, the amount of the electric surcharge being collected was not enough to cover the 125% of the coming principal and interest payments required by the bond terms. This comment has been restated as current other audit finding #2015-06.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015 AND 2014

Summary of the Independent Auditors' Results:

Financial Statements:

- a. An adverse opinion on the financial statements of the discretely presented component unit opinion unit was issued because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings #2015-01, #2015-02, and #2015-03.
- c. Our audit did disclose instances of noncompliance which were material to the financial statements. These are described in findings #2015-04, #2015-05 and #2015-06.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, section .510(a).
- f. The federal award tested as a major program was :
 1. Airport Improvement Program CFDA #20.106.
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- h. City of Miller did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no current written federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2015-01

Criteria

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

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, and equity. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and should attempt to provide compensating controls wherever and whenever possible and practical.

Finding #2015-02

Criteria

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

Condition Found

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

Effect

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

Recommendation

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

Finding #2015-03

Criteria

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

Condition Found

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

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

Effect

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

Recommendation

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

Other Audit Findings:

Finding #2015-04

Criteria

Per SDCL 9-21-26.1, "The governing body may by a two-thirds vote transfer the surplus money in any of the several funds to any other fund or funds".

Condition Found

The City made an operating transfer of \$100,000 from the Electric Fund to the Capital Projects Fund for \$50,000 and the General Fund for \$50,000, without board approval.

Effect

The City was not in compliance with SDCL 9-21-26.1.

Recommendation

We recommend the City document operating transfers by making the vote and documenting it in the minutes as to which fund(s) is (are) making the transfer and which fund(s) is (are) receiving it.

Finding #2015-05

Criteria

SDCL 9-21-9 limits expenditures to appropriated amounts.

Condition Found

For the year ended December 31, 2014, the City went over budget in the General Fund in the account Highways and Streets by \$27,257, in the account Other Health by \$2,000, in the account Recreation by \$4,500, and in the account Museums by \$1,600.

Effect

Budgets are required for all funds. Per SDCL 9-21-9, expenditures are limited to the appropriated amounts.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

Recommendation

We recommend the City adopt a budget for all funds, limit expenditures to the amount budgeted, adopt a supplemental appropriation ordinance, or make contingency transfers for small line item deficits.

Finding #2015-06

Criteria

The Official Statement of the Taxable Electric Revenue Bond Series 2010A has a rate covenant that requires a surcharge. The rate covenant states "The surcharge shall at all times be sufficient to produce net revenues for each fiscal year at least equal to 125% of the principal and interest on the bonds coming due in such fiscal year".

Condition Found

The City fell short of the surcharge collection by \$87,991 in 2014 and \$66,476 in 2015.

Effect

The City is not in compliance with the Taxable Electric Revenue Bond Series 2010A rate covenant.

Recommendation

We recommend the City increase its surcharge calculation to bring it into compliance.

Closing Conference

The contents of this report were discussed with Ron Blachford, Tony Rangel, SuAnne Meyer and Sheila Coss on June 16, 2016.

CITY OF MILLER
CORRECTIVE ACTION PLANS
DECEMBER 31, 2015 AND 2014

Corrective Action Plan #2015-01

Ron Blachford is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Miller which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash and equity. The City of Miller is aware of the problem and is attempting to provide compensating controls by having the mayor review the financial statements and bank statements monthly to reduce risks. However, the lack of segregation of duties regarding revenues, cash, and equity continues to exist.

Corrective Action Plan #2015-02

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City prefers to have an auditing firm do the financial reports, which are reviewed by the council, mayor and finance officer."

Corrective Action Plan #2015-03

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City accepts the risk of deficiency. The Council will attempt to be more accurate with account classifications in future transactions."

Corrective Action Plan #2015-04

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The Council is aware of this finding and the Council will attempt to provide controls by transferring money between funds by resolution."

Corrective Action Plan #2015-05

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City Council is aware of this finding and is working to limit the expenditures to the amount budgeted and to adopt a supplemental appropriation ordinance and to make contingency transfers for smaller items."

Corrective Action Plan #2015-06

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The city is taking steps to meet this by 2017."

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Miller
Miller, 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, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota (City), as of December 31, 2015, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, 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 Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported for the year ended December 31, 2015, as \$853,297, \$27,542, \$825,755, \$200,156, and \$202,826 and for the year ended December 31, 2014, as \$853,968, \$25,543, \$828,425, \$202,271, and \$222,355.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Miller, South Dakota, as of December 31, 2015, or the changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, 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 conformity 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 City's basic financial statements. The Budgetary Comparison Schedules, the Schedule of Expenditures of Federal Awards which as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the Schedule of Changes in Long-Term Debt and the Schedule of the City's Proportionate Share of the Net Pension Asset 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 September 8, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 City's internal control over financial reporting and compliance.

Kohlman, Bierer, Bach & Anderson, LLP

September 8, 2016

CITY OF MILLER
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2015

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 364,784	\$ 1,616,697	\$ 1,981,481
Investments	--	60,307	60,307
Restricted Assets:			
Cash and cash equivalents	17,860	716,829	734,689
TOTAL ASSETS	\$ 382,644	\$ 2,393,833	\$ 2,776,477
NET POSITION:			
Restricted for:			
Debt service purposes	\$ 17,860	\$ 716,829	\$ 734,689
Third Penny Sales Tax purposes	10,249	--	10,249
Unrestricted	354,535	1,677,004	2,031,539
TOTAL NET POSITION	\$ 382,644	\$ 2,393,833	\$ 2,776,477

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

CITY OF MILLER
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 182,612	\$ 30,459	\$ --	\$ --	\$ (152,153)		\$ (152,153)
Public safety	375,519	642	7,626	--	(367,251)		(367,251)
Public works	3,182,327	22,365	91,835	2,535,440	(532,687)		(532,687)
Health and welfare	2,000	180	8,521	--	6,701		6,701
Culture and recreation	108,443	15,560	--	--	(92,883)		(92,883)
Conservation and development	154,548	--	--	--	(154,548)		(154,548)
*Interest on long-term debt	14,490	--	--	--	(14,490)		(14,490)
Total Governmental Activities	4,019,939	69,206	107,982	2,535,440	(1,307,311)		(1,307,311)
Business-Type Activities:							
Water	500,864	535,878	--	--		\$ 35,014	35,014
Sewer	357,313	301,635	--	--		(55,678)	(55,678)
Electric	2,194,410	2,167,133	--	4,200		(23,077)	(23,077)
Total Business-Type Activities	3,052,587	3,004,646	--	4,200		(43,741)	(43,741)
Total Primary Government	\$7,072,526	\$3,073,852	\$ 107,982	\$ 2,539,640	(1,307,311)	(43,741)	(1,351,052)
General Revenues:							
Taxes:							
					369,208	--	369,208
					780,969	--	780,969
					12,514	--	12,514
					4,393	--	4,393
					620	2,185	2,805
					32,186	18,150	50,336
					37,578	305,824	343,402
					103,843	(103,843)	--
					1,341,311	222,316	1,563,627
					34,000	178,575	212,575
					348,644	2,215,258	2,563,902
					\$ 382,644	\$2,393,833	\$2,776,477

* The City 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.

CITY OF MILLER
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue 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	\$ 188,747	\$ 23,888	\$ --	\$ --	\$ (164,859)		\$ (164,859)
Public safety	333,965	347	8,568	--	(325,050)		(325,050)
Public works	630,617	11,460	87,947	112,105	(419,105)		(419,105)
Health and welfare	2,000	75	10,101	--	8,176		8,176
Culture and recreation	103,533	16,218	--	--	(87,315)		(87,315)
Conservation and development	132,569	--	--	--	(132,569)		(132,569)
*Interest on long-term debt	<u>21,965</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(21,965)</u>		<u>(21,965)</u>
Total Governmental Activities	<u>1,413,396</u>	<u>51,988</u>	<u>106,616</u>	<u>112,105</u>	<u>(1,142,687)</u>		<u>(1,142,687)</u>
Business-Type Activities:							
Water	475,555	481,706	--	--		\$ 6,151	6,151
Sewer	299,948	265,867	--	--		(34,081)	(34,081)
Electric	<u>2,738,308</u>	<u>2,148,060</u>	<u>--</u>	<u>--</u>		<u>(590,248)</u>	<u>(590,248)</u>
Total Business-Type Activities	<u>3,513,811</u>	<u>2,895,633</u>	<u>--</u>	<u>--</u>		<u>(618,178)</u>	<u>(618,178)</u>
Total Primary Government	<u>\$4,927,207</u>	<u>\$2,947,621</u>	<u>\$ 106,616</u>	<u>\$ 112,105</u>	<u>(1,142,687)</u>	<u>(618,178)</u>	<u>(1,760,865)</u>
General Revenues:							
Taxes:							
Property taxes					338,759	--	338,759
Sales taxes					769,861	--	769,861
State shared revenues					12,361	--	12,361
Grants and contributions not restricted to specific programs							
Unrestricted investment earnings					3,868	--	3,868
Debt issued					628	1,917	2,545
Miscellaneous revenue					--	213,058	213,058
Transfers					30,389	217,051	247,440
					<u>53,452</u>	<u>(53,452)</u>	<u>--</u>
Total General Revenues and Transfers					<u>1,209,318</u>	<u>378,574</u>	<u>1,587,892</u>
Change in Net Position					66,631	(239,604)	(172,973)
Net Position - Beginning					<u>282,013</u>	<u>2,454,862</u>	<u>2,736,875</u>
Net Position - Ending					<u>\$ 348,644</u>	<u>\$2,215,258</u>	<u>\$2,563,902</u>

* The City 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.

CITY OF MILLER
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 439,651	\$ (85,116)	\$ 10,249	\$ 364,784
Restricted cash and cash equivalents	<u>17,860</u>	<u>--</u>	<u>--</u>	<u>17,860</u>
TOTAL ASSETS	<u>\$ 457,511</u>	<u>\$ (85,116)</u>	<u>\$ 10,249</u>	<u>\$ 382,644</u>
FUND BALANCES:				
Restricted	\$ 17,860	--	\$ 10,249	\$ 28,109
Assigned	100,000	--	--	100,000
Unassigned	<u>339,651</u>	<u>(85,116)</u>	<u>--</u>	<u>254,535</u>
TOTAL FUND BALANCES	<u>\$ 457,511</u>	<u>\$ (85,116)</u>	<u>\$ 10,249</u>	<u>\$ 382,644</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes:				
General property taxes	\$ 367,532	\$ --	\$ --	\$ 367,532
General sales and use taxes	748,219	--	32,750	780,969
Amusement taxes	48	--	--	48
Penalties and interest on delinquent taxes	1,628	--	--	1,628
Licenses and Permits	11,185	--	--	11,185
Intergovernmental Revenue:				
Federal grants	7,626	2,354,627	--	2,362,253
State grants	8,521	130,813	--	139,334
State shared revenue:				
Bank franchise tax	3,255	--	--	3,255
Prorate license fees	7,089	--	--	7,089
Liquor tax reversion	9,259	--	--	9,259
Motor vehicle licenses (5%)	28,872	--	--	28,872
Local government highway and bridge fund	51,551	--	--	51,551
County shared revenue:				
County road tax (25%)	4,323	--	--	4,323
Other intergovernmental revenues	2,290	--	--	2,290
Charges for Goods and Services:				
General government	115	--	--	115
Public safety	498	--	--	498
Highways and streets	22,190	--	--	22,190
Sanitation	175	--	--	175
Health	180	--	--	180
Culture and recreation	15,560	--	--	15,560
Other	6,118	--	--	6,118
Fines and Forfeits:				
Court fines and costs	144	--	--	144
Miscellaneous Revenue:				
Investment earnings	620	--	--	620
Rentals	19,159	--	--	19,159
Contributions and donations from private sources	4,393	50,000	--	54,393
Other	29,170	--	--	29,170
TOTAL REVENUE	<u>1,349,720</u>	<u>2,535,440</u>	<u>32,750</u>	<u>3,917,910</u>
EXPENDITURES:				
General Government:				
Legislative	27,971	--	--	27,971
Elections	738	--	--	738
Financial administration	77,435	--	--	77,435

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Other	76,468	--	--	76,468
Public Safety:				
Police	341,345	--	--	341,345
Fire	24,030	--	--	24,030
Protective inspection	1,932	--	--	1,932
Public Works:				
Highways and streets	301,067	--	--	301,067
Airport	21,243	2,699,385	--	2,720,628
Health and Welfare:				
Other	2,000	--	--	2,000
Culture and Recreation:				
Recreation	85,353	--	--	85,353
Parks	20,830	--	--	20,830
Museums	2,260	--	--	2,260
Conservation and Development:				
Urban redevelopment and housing	47	--	--	47
Economic development and assistance (industrial development)	132,000	--	22,501	154,501
Debt Service	<u>188,695</u>	<u>--</u>	<u>--</u>	<u>188,695</u>
TOTAL EXPENDITURES	<u>1,303,414</u>	<u>2,699,385</u>	<u>22,501</u>	<u>4,025,300</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>46,306</u>	<u>(163,945)</u>	<u>10,249</u>	<u>(107,390)</u>
OTHER FINANCING SOURCES:				
Transfers in	53,843	50,000	--	103,843
Compensation for loss or damage to capital assets	5,361	--	--	5,361
Long-term debt issued	<u>32,186</u>	<u>--</u>	<u>--</u>	<u>32,186</u>
TOTAL OTHER FINANCING SOURCES	<u>91,390</u>	<u>50,000</u>	<u>--</u>	<u>141,390</u>
NET CHANGE IN FUND BALANCE	137,696	(113,945)	10,249	34,000
FUND BALANCE – BEGINNING	<u>319,815</u>	<u>28,829</u>	<u>--</u>	<u>348,644</u>
FUND BALANCE – ENDING	<u>\$ 457,511</u>	<u>\$ (85,116)</u>	<u>\$ 10,249</u>	<u>\$ 382,644</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes:			
General property taxes	\$ 338,004	--	\$ 338,004
General sales and use taxes	769,861	--	769,861
Amusement taxes	48	--	48
Penalties and interest on delinquent taxes	707	--	707
Licenses and Permits	12,325	--	12,325
Intergovernmental Revenue:			
Federal grants	8,569	58,836	67,405
State grants	10,101	3,268	13,369
State shared revenue:			
Bank franchise tax	1,783	--	1,783
Prorate license fees	7,080	--	7,080
Liquor tax reversion	10,578	--	10,578
Motor vehicle licenses (5%)	25,790	--	25,790
Local government highway and bridge fund	50,754	--	50,754
County shared revenue:			
County road tax (25%)	4,323	--	4,323
Other intergovernmental revenues	2,865	--	2,865
Charges for Goods and Services:			
General government	142	--	142
Public safety	220	--	220
Highways and streets	11,235	--	11,235
Sanitation	225	--	225
Health	75	--	75
Culture and recreation	16,218	--	16,218
Fines and Forfeits:			
Court fines and costs	127	--	127
Miscellaneous Revenue:			
Investment earnings	628	--	628
Rentals	11,421	--	11,421
Contributions and donations from private sources	3,868	50,000	53,868
Other	19,120	--	19,120
TOTAL REVENUE	<u>1,306,067</u>	<u>112,104</u>	<u>1,418,171</u>
EXPENDITURES:			
General Government:			
Legislative	30,428	--	30,428
Financial administration	130,780	--	130,780
Other	27,539	--	27,539

	General Fund	Capital Projects Fund	Total Governmental Funds
Public Safety:			
Police	292,587	--	292,587
Fire	23,032	--	23,032
Public Works:			
Highways and streets	378,988	--	378,988
Airport	18,258	83,275	101,533
Health and Welfare:			
Other	2,000	--	2,000
Culture and Recreation:			
Recreation	81,370	--	81,370
Parks	20,563	--	20,563
Museums	1,600	--	1,600
Conservation and Development:			
Urban redevelopment and housing	569	--	569
Economic development and assistance (industrial development)	132,000	--	132,000
Debt Service	<u>190,407</u>	<u>--</u>	<u>190,407</u>
 TOTAL EXPENDITURES	 <u>1,330,121</u>	 <u>83,275</u>	 <u>1,413,396</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(24,054)</u>	 <u>28,829</u>	 <u>4,775</u>
 OTHER FINANCING SOURCES:			
Transfers in	54,960	--	54,960
Sale of municipal property	<u>8,404</u>	<u>--</u>	<u>8,404</u>
 TOTAL OTHER FINANCING SOURCES	 <u>63,364</u>	 <u>--</u>	 <u>63,364</u>
 NET CHANGE IN FUND BALANCE	 39,310	 28,829	 68,139
 FUND BALANCE – BEGINNING	 <u>280,505</u>	 <u>--</u>	 <u>280,505</u>
 FUND BALANCE – ENDING	 <u>\$ 319,815</u>	 <u>\$ 28,829</u>	 <u>\$ 348,644</u>

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

CITY OF MILLER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balances – Total Governmental Funds	\$68,139
Amounts reported for governmental activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>(1,508)</u>
Change in Net Position of Governmental Activities	<u>\$66,631</u>

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

CITY OF MILLER
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 191,677	\$ 437,480	\$ 987,540	\$ 1,616,697
Investments	--	--	60,307	60,307
Total Current Assets	<u>191,677</u>	<u>437,480</u>	<u>1,047,847</u>	<u>1,677,004</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	<u>59,946</u>	<u>18,288</u>	<u>638,595</u>	<u>716,829</u>
Total Noncurrent Assets	<u>59,946</u>	<u>18,288</u>	<u>638,595</u>	<u>716,829</u>
TOTAL ASSETS	<u><u>\$ 251,623</u></u>	<u><u>\$ 455,768</u></u>	<u><u>\$ 1,686,442</u></u>	<u><u>\$ 2,393,833</u></u>
NET POSITION:				
Restricted for:				
Revenue bond debt service	\$ 59,946	\$ 18,288	\$ 638,595	\$ 716,829
Unrestricted	<u>191,677</u>	<u>437,480</u>	<u>1,047,847</u>	<u>1,677,004</u>
TOTAL NET POSITION	<u><u>\$ 251,623</u></u>	<u><u>\$ 455,768</u></u>	<u><u>\$ 1,686,442</u></u>	<u><u>\$ 2,393,833</u></u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Electric Fund	
OPERATING REVENUE:				
Charges for goods and services	\$ 496,253	\$ 286,177	\$ 1,745,400	\$ 2,527,830
Revenue dedicated to servicing debt	<u>39,625</u>	<u>15,458</u>	<u>421,733</u>	<u>476,816</u>
TOTAL OPERATING REVENUE	<u>535,878</u>	<u>301,635</u>	<u>2,167,133</u>	<u>3,004,646</u>
OPERATING EXPENSES:				
Personal services	127,764	126,347	243,136	497,247
Other current expense	74,456	65,993	112,655	253,104
Materials (cost of goods sold)	184,388	--	1,226,443	1,410,831
Capital assets	<u>44,823</u>	<u>146,431</u>	<u>27,065</u>	<u>218,319</u>
TOTAL OPERATING EXPENSES	<u>431,431</u>	<u>338,771</u>	<u>1,609,299</u>	<u>2,379,501</u>
OPERATING INCOME (LOSS)	<u>104,447</u>	<u>(37,136)</u>	<u>557,834</u>	<u>625,145</u>
NONOPERATING REVENUE (EXPENSE):				
Private grant	--	--	4,200	4,200
Investment earnings	254	256	1,675	2,185
Debt service (principal)	(40,962)	(11,746)	(120,000)	(172,708)
Interest expense	(28,471)	(6,796)	(465,111)	(500,378)
Sale of municipal property	--	--	19,295	19,295
Long-term debt issued	--	18,150	--	18,150
Other	<u>--</u>	<u>91,985</u>	<u>194,544</u>	<u>286,529</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(69,179)</u>	<u>91,849</u>	<u>(365,397)</u>	<u>(342,727)</u>
INCOME BEFORE TRANSFERS	35,268	54,713	192,437	282,418
TRANSFERS OUT	<u>--</u>	<u>(3,843)</u>	<u>(100,000)</u>	<u>(103,843)</u>
CHANGE IN NET POSITION	35,268	50,870	92,437	178,575
NET POSITION - BEGINNING	<u>216,355</u>	<u>404,898</u>	<u>1,594,005</u>	<u>2,215,258</u>
NET POSITION - ENDING	<u>\$ 251,623</u>	<u>\$ 455,768</u>	<u>\$ 1,686,442</u>	<u>\$ 2,393,833</u>

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

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities Enterprise Funds			Totals	Internal Service Funds
	Water Fund	Sewer Fund	Electric Fund		
OPERATING REVENUE:					
Charges for goods and services	\$443,080	\$256,860	\$1,751,057	\$2,450,997	\$ --
Revenue dedicated to servicing debt	<u>38,626</u>	<u>9,007</u>	<u>397,003</u>	<u>444,636</u>	<u>--</u>
TOTAL OPERATING REVENUE	<u>481,706</u>	<u>265,867</u>	<u>2,148,060</u>	<u>2,895,633</u>	<u>--</u>
OPERATING EXPENSES:					
Personal services	98,961	97,343	233,358	429,662	--
Other current expense	75,263	45,541	69,680	190,484	--
Materials (cost of goods sold)	191,726	--	1,437,688	1,629,414	--
Capital assets	<u>53,763</u>	<u>157,064</u>	<u>414,021</u>	<u>624,848</u>	<u>--</u>
TOTAL OPERATING EXPENSES	<u>419,713</u>	<u>299,948</u>	<u>2,154,747</u>	<u>2,874,408</u>	<u>--</u>
OPERATING INCOME (LOSS)	<u>61,993</u>	<u>(34,081)</u>	<u>(6,687)</u>	<u>21,225</u>	<u>--</u>
NONOPERATING REVENUE (EXPENSE):					
Investment earnings	235	98	1,584	1,917	--
Debt service (principal)	(27,382)	--	(115,000)	(142,382)	--
Interest expense	(28,460)	--	(468,561)	(497,021)	--
Sale of municipal property	367	--	20,309	20,676	--
Compensation for loss or damage to capital assets	--	--	809	809	--
Long-term debt issued	14,203	198,855	--	213,058	--
Other	<u>--</u>	<u>--</u>	<u>195,566</u>	<u>195,566</u>	<u>--</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(41,037)</u>	<u>198,953</u>	<u>(365,293)</u>	<u>(207,377)</u>	<u>--</u>
INCOME (LOSS) BEFORE TRANSFERS	20,956	164,872	(371,980)	(186,152)	--
TRANSFERS OUT	<u>--</u>	<u>(53,452)</u>	<u>--</u>	<u>(53,452)</u>	<u>(1,508)</u>
CHANGE IN NET POSITION	20,956	111,420	(371,980)	(239,604)	(1,508)
NET POSITION - BEGINNING	<u>195,399</u>	<u>293,478</u>	<u>1,965,985</u>	<u>2,454,862</u>	<u>1,508</u>
NET POSITION - ENDING	<u>\$216,355</u>	<u>\$404,898</u>	<u>\$1,594,005</u>	<u>\$2,215,258</u>	<u>\$ --</u>

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of the City of Miller (City) 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.

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

The Housing and Redevelopment Commission of the City of Miller, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Miller Housing and Redevelopment Commission may be obtained from: Miller Housing and Redevelopment Commission, 105 N. Broadway, Miller, SD 57362.

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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Airport Improvement Capital Projects Fund - To account for financial resources to be used for construction of airport improvements. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations:

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

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

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

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities (SDCL 9-39-1 and 9-39-26). This is a major fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments and its component units, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds are as follows: unemployment claims. Internal service funds are never considered to be major funds. The Unemployment Compensation Fund is the only internal service fund maintained by the City, and it was closed in 2014.

c. Measurement Focus and Basis of Accounting:

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

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

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

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

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

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

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

e. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, revenue bonds and other long-term liabilities.

As discussed in Note 1.c. above, 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 City 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 City. The City 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 City 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. Program Revenues:

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

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

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in 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,

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

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

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 net position.

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 City'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 City classifies governmental fund balances as follows:

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. 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.
3. 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.
4. 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 City Council.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - (Continued)

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

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

A schedule of fund balances is provided as follows:

CITY OF MILLER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General Fund	Capital Projects Fund	Third Penny Sales Tax Fund	Total Governmental Funds
Fund Balances:				
Restricted for:				
Debt Service Requirements	\$ 17,860	\$ --	\$ --	\$ 17,860
Third Penny Sales Tax	--	--	10,249	10,249
Assigned to:				
Applied to next year's budget	100,000	--	--	100,000
Unassigned	339,651	(85,116)	--	254,535
Total Fund Balances	\$ 457,511	\$ (85,116)	\$ 10,249	\$ 382,644

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

	Year Ended <u>12/31/2014</u>
General Fund:	
<u>Activity:</u>	
Public Works - Highways and Streets	\$ 27,257
Health and Welfare - Other	\$ 2,000
Culture and Recreation - Recreation	\$ 4,500
Culture and Recreation - Museums	\$ 1,600

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 - (Continued)

The City plans to take the following actions to address these violations: The City is aware of this violation and will make every effort to ensure that expenditures do not exceed appropriations.

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

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

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

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

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

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. All of the City's investments are in a certificate of deposit.

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

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

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

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

<u>Amount:</u>	<u>Purpose:</u>
\$ 17,860	For debt service in the General Fund
\$ 59,946	For debt service in the Water Fund
\$ 18,288	For debt service in the Sewer Fund
\$638,595	For debt service in the Electric Fund

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of 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 City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 6 - LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance 1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2015</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 528,106	\$ --	\$ 294,935	\$ 233,171	\$ 7,909
Notes Payable	<u>57,924</u>	<u>32,186</u>	<u>47,712</u>	<u>42,398</u>	<u>29,152</u>
Total Governmental Activities	<u>586,030</u>	<u>32,186</u>	<u>342,647</u>	<u>275,569</u>	<u>37,061</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	7,807,661	202,802	300,871	7,709,592	177,957
Financing (Capital Acquisition)					
Leases	<u>--</u>	<u>28,405</u>	<u>14,220</u>	<u>14,185</u>	<u>14,185</u>
Total Business-Type Activities	<u>7,807,661</u>	<u>231,207</u>	<u>315,091</u>	<u>7,723,777</u>	<u>192,142</u>
Total Primary Government	<u>\$ 8,393,691</u>	<u>\$ 263,393</u>	<u>\$ 657,738</u>	<u>\$ 7,999,346</u>	<u>\$ 229,203</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 - (Continued)

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

Governmental Activities:

Revenue Bonds:

Series 2005 Rural Development Sales Tax Revenue Bonds, due in monthly installments of \$984, including 4.25% interest, maturing 2035. This debt is serviced by the General Fund. \$ 155,179

Series 2005 Rural Development Sales Tax Revenue Bonds, due in monthly installments of \$492, including 4.25% interest, maturing 2035. This debt is serviced by the General Fund. 77,992

Notes Payable:

Promissory Note, due in two annual payments of \$13,653 including 3.0% interest, maturing February 10, 2017. This debt is serviced by the General Fund. 26,239

Promissory Note, due in monthly installments of \$1,376, including 3.53% interest, maturing December 25, 2016. This debt is serviced by the General Fund. 16,159

Total Governmental Activities 275,569

Business-Type Activities:

Revenue Bonds:

Series 2009 "SRF" loan, due in quarterly installments of \$6,462, including 2.5% interest, maturing January 1, 2020. This debt is serviced by the Water Fund. 103,916

Series 2009 Rural Development Water Project Revenue Bond, due in monthly installments of \$3,038, including 3.5% interest, maturing November 24, 2049. This debt is serviced by the Water Fund. 722,510

Series 2010A Taxable Electric Revenue Bonds, interest rate of 1.5 to 7.875% depending on length to maturity of individual bonds, final maturity is December 1, 2040. The City is eligible for 45% of the interest to be refunded from the IRS. Due to the sequester, the subsidies received for 2014 and 2015 were less than the amount requested. It is anticipated that the City will begin receiving the full amount of the subsidy for 2016. This debt is serviced by the Electric Fund. 6,685,000

Consolidated Water Facilities Constructed Fund Revenue Bond, due in semi-annual installments of \$6,377, including 3.0 % interest, maturing May 1, 2035. This debt is serviced by the Sewer Fund. 198,166

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 - (Continued)

Financing (Capital Acquisition) Lease, interest rate of .499% maturing January 27, 2016. This debt is serviced by the Water and Sewer Funds. 14,185

Total Business-Type Activities 7,723,777

Total Primary Government \$7,999,346

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

Annual Requirements to Amortize Long-Term Debt
December 31, 2015

Year Ending Dec. 31,	Revenue Bonds		Notes Payable		Lease Payable		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 185,866	\$ 504,153	\$29,152	\$ 966	\$ 14,185	\$ 70	\$ 229,203	\$ 505,189
2017	181,505	498,226	13,246	399	--	--	194,751	498,625
2018	188,113	491,419	--	--	--	--	188,113	491,419
2019	194,774	484,021	--	--	--	--	194,774	484,021
2020	186,980	475,917	--	--	--	--	186,980	475,917
2021-2025	1,030,390	2,240,926	--	--	--	--	1,030,390	2,240,926
2026-2030	1,363,995	1,911,343	--	--	--	--	1,363,995	1,911,343
2031-2035	1,857,334	1,400,397	--	--	--	--	1,857,334	1,400,397
2036-2040	2,477,903	640,927	--	--	--	--	2,477,903	640,927
2041-2045	146,370	35,910	--	--	--	--	146,370	35,910
2046-2049	<u>129,533</u>	<u>8,869</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>129,533</u>	<u>8,869</u>
Total	<u>\$7,942,763</u>	<u>\$8,692,108</u>	<u>\$42,398</u>	<u>\$ 1,365</u>	<u>\$ 14,185</u>	<u>\$ 70</u>	<u>\$7,999,346</u>	<u>\$8,693,543</u>

NOTE 7 - CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, there was one of the conduit bonds outstanding, with an aggregate unpaid principal amount of \$155,000.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2015, was as follows:

Major Purposes:

Debt Service Purposes - General Fund	\$ 17,860
Debt Service Purposes - Water Fund	59,946
Debt Service Purposes - Sewer Fund	18,288
Debt Service Purposes - Electric Fund	638,595
Third Penny Sales Tax Purposes	<u>10,249</u>
 Total Restricted Net Position	 <u>\$744,938</u>

These balances are restricted by the terms of bond agreements and statutory requirements.

NOTE 9 - INTERFUND TRANSFERS

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

<u>Transfer From:</u>	<u>Transfer to:</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Major Funds:			
Electric Fund	\$50,000	\$50,000	\$100,000
Sewer Fund	<u>3,843</u>	<u>--</u>	<u>3,843</u>
	<u>\$53,843</u>	<u>\$50,000</u>	<u>\$103,843</u>

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

<u>Transfer From:</u>	<u>Transfer to:</u>
	<u>General Fund</u>
Major Funds:	
Sewer Fund	\$53,452
Internal Service Fund	<u>1,508</u>
	<u>\$54,960</u>

The transfers out of the Electric Fund were to assist in paying expenditures out of the General Fund and Capital Projects Fund. The transfers out of the Sewer Fund were payments made by the Sewer Fund for storm sewer improvements. The transfer out of the Internal Service Fund was to close it.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 - 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 City's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$44,787, \$44,059, and \$44,142, respectively, equal to the required contributions each year.

Pension Liabilities (Assets):

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 - (Continued)

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 City as of June 30, 2015, are as follows:

Proportionate share of net position restricted for pension benefits	\$4,594,510
Less proportionate share of total pension liability	<u>4,413,686</u>
Proportionate share of net pension asset	<u>\$ 180,824</u>

The net pension asset was measured as of June 30, 2015, and the total pension asset (liability) used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was .0426344%, which is an increase of .000205% from its proportion measured as of June 30, 2014.

Actuarial Assumptions:

The total pension asset (liability) 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:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 - (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	<u>2.0%</u>	0.0%
 Total	 <u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension asset (liability) 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 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 asset (liability).

Sensitivity of asset to changes in the discount rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the City's proportionate share of the net pension 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>
City's proportionate share of the net pension asset	\$(455,134)	\$180,824	\$699,394

Pension Plan Fiduciary Net Position:

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

NOTE 11 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2015, the City was involved in two lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through September 8, 2016, the date on which the financial statements were available to be issued. Management has determined there are none.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 - RISK MANAGEMENT

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

Employee Health Insurance:

The City 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 City 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 City'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 City. The City 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 City pays an annual premium to the pool to provide coverage for general liability, automobile liability, legal liability, and property 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 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City 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 the City's first full year	50%
End of the City's second full year	60%
End of the City's third full year	70%
End of the City's fourth full year	80%
End of the City's fifth full year	90%
End of the City's sixth full year and thereafter	100%

As of December 31, 2015, the City has vested balance in the cumulative reserve fund of \$36,218.51. This amount does not appear in the financial statements because this is a modified cash basis entity.

The City carries a \$0 deductible for the general liability, automobile liability, and fire damage legal liability coverage, a \$2,000 deductible for the law enforcement operations coverage, and a \$0 deductible for the officials' liability coverage.

The City 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.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 - (continued)

Worker's Compensation:

The City 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 City'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 City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

SUPPLEMENTARY INFORMATION

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 332,200	\$ 332,200	\$ 367,532	\$ 35,332
General sales and use taxes	750,000	750,000	748,219	(1,781)
Amusement taxes	75	75	48	(27)
Penalties and interest on delinquent taxes	500	500	1,628	1,128
Licenses and Permits	10,950	10,950	11,185	235
Intergovernmental Revenue:				
Federal grants	--	--	7,626	7,626
State grants	--	16,147	8,521	(7,626)
State shared revenue:				
Bank franchise tax	1,500	1,500	3,255	1,755
Prorate license fees	5,500	5,500	7,089	1,589
Liquor tax reversion	10,000	10,000	9,259	(741)
Motor vehicles licenses (5%)	20,000	20,000	28,872	8,872
Local government highway and bridge fund	20,000	20,000	51,551	31,551
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Local government highway and bridge fund	20,000	20,000	--	(20,000)
Other intergovernmental revenues	2,500	2,500	2,290	(210)
Charges for Goods and Services:				
General government	--	--	115	115
Public safety	1,500	1,500	498	(1,002)
Highways and streets	5,000	5,000	22,190	17,190
Sanitation	250	250	175	(75)
Health	100	100	180	80
Culture and recreation	16,350	16,350	15,560	(790)
Other	--	4,919	6,118	1,199
Fines and Forfeits:				
Court fines and costs	250	250	144	(106)
Miscellaneous Revenue:				
Investment earnings	500	500	620	120
Rentals	15,500	15,500	19,159	3,659
Contributions and donations from private sources	2,000	2,990	4,393	1,403
Other	<u>17,000</u>	<u>27,048</u>	<u>29,170</u>	<u>2,122</u>
TOTAL REVENUE	<u>1,235,675</u>	<u>1,267,779</u>	<u>1,349,720</u>	<u>81,941</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Legislative	30,725	30,725	27,971	2,754
Contingency	25,000	25,000		
Amount transferred		(2,995)		22,005
Elections	1,500	1,500	738	762
Financial administration	70,066	79,498	77,435	2,063
Other	80,450	80,450	76,468	3,982
Public Safety:				
Police	307,653	343,232	341,345	1,887
Fire	33,500	33,500	24,030	9,470
Protective inspection	--	1,932	1,932	--
Civil defense	1,000	1,000	--	1,000
Public Works:				
Highways and streets	309,375	321,389	301,067	20,322
Airport	28,791	33,710	21,243	12,467
Health and Welfare:				
Other	2,000	2,000	2,000	--
Culture and Recreation:				
Recreation	102,850	103,259	85,353	17,906
Parks	32,435	32,435	20,830	11,605
Museums	--	2,260	2,260	--
Conservation and Development:				
Urban redevelopment and housing	800	800	47	753
Economic development and assistance (industrial development)	132,000	132,000	132,000	--
Debt Service	<u>185,800</u>	<u>191,800</u>	<u>188,695</u>	<u>3,105</u>
TOTAL EXPENDITURES	<u>1,343,945</u>	<u>1,413,495</u>	<u>1,303,414</u>	<u>110,081</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(108,270)</u>	<u>(145,716)</u>	<u>46,306</u>	<u>192,022</u>
OTHER FINANCING SOURCES:				
Transfers in	108,270	108,270	53,843	(54,427)
Compensation for loss or damage to capital assets	--	5,360	5,361	1
General long-term debt issued	<u>--</u>	<u>32,086</u>	<u>32,186</u>	<u>100</u>
TOTAL OTHER FINANCING SOURCES	<u>108,270</u>	<u>145,716</u>	<u>91,390</u>	<u>(54,326)</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	--	--	137,696	137,696
FUND BALANCE - BEGINNING	<u>319,815</u>	<u>319,815</u>	<u>319,815</u>	--
FUND BALANCE - ENDING	<u>\$ 319,815</u>	<u>\$ 319,815</u>	<u>\$ 457,511</u>	<u>\$137,696</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Taxes:				
General property taxes	\$ 322,750	\$ 322,750	\$ 338,004	\$ 15,254
General sales and use taxes	760,000	760,000	769,861	9,861
Amusement taxes	75	75	48	(27)
Penalties and interest on delinquent taxes	600	600	707	107
Licenses and Permits	10,350	10,350	12,325	1,975
Intergovernmental Revenue:				
Federal grants	--	51,466	8,569	(42,897)
State grants	--	19,518	10,101	(9,417)
State shared revenue:				
Bank franchise tax	1,500	1,500	1,783	283
Prorate license fees	7,000	7,000	7,080	80
Liquor tax reversion	10,000	10,000	10,578	578
Motor vehicles licenses (5%)	16,000	16,000	25,790	9,790
Local government highway and bridge fund	40,000	40,000	50,754	10,754
County shared revenue:				
County road tax (25%)	4,000	4,000	4,323	323
Other intergovernmental revenues	2,200	2,200	2,865	665
Charges for Goods and Services:				
General government	--	--	142	142
Public safety	1,500	1,500	220	(1,280)
Highways and streets	4,500	4,500	11,235	6,735
Sanitation	250	250	225	(25)
Health	200	200	75	(125)
Culture and recreation	16,350	16,350	16,218	(132)
Fines and Forfeits:				
Court fines and costs	250	250	127	(123)
Miscellaneous Revenue:				
Investment earnings	350	350	628	278
Rentals	10,914	10,914	11,421	507
Contributions and donations from private sources	2,500	2,500	3,868	1,368
Other	<u>31,000</u>	<u>31,000</u>	<u>19,120</u>	<u>(11,880)</u>
TOTAL REVENUE	<u>1,242,289</u>	<u>1,313,273</u>	<u>1,306,067</u>	<u>(7,206)</u>
EXPENDITURES:				
General Government:				
Legislative	30,270	30,428	30,428	--

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Contingency	25,000	25,000		
Amount transferred		(10,361)		14,639
Elections	1,500	1,500	--	1,500
Financial administration	140,419	140,678	130,780	9,898
Other	27,300	27,539	27,539	--
Public Safety:				
Police	286,620	293,178	292,587	591
Fire	31,050	31,050	23,032	8,018
Civil defense	1,000	1,000	--	1,000
Public Works:				
Highways and streets	340,590	351,731	378,988	(27,257)
Airport	29,175	83,501	18,258	65,243
Health and Welfare:				
Other	--	--	2,000	(2,000)
Culture and Recreation:				
Recreation	68,375	76,870	81,370	(4,500)
Parks	29,550	29,550	20,563	8,987
Museums	--	--	1,600	(1,600)
Conservation and Development:				
Urban redevelopment and housing	400	569	569	--
Economic development and assistance (industrial development)	140,100	140,100	132,000	8,100
Debt Service	<u>192,800</u>	<u>192,800</u>	<u>190,407</u>	<u>2,393</u>
TOTAL EXPENDITURES	<u>1,344,149</u>	<u>1,415,133</u>	<u>1,330,121</u>	<u>85,012</u>
EXPENDITURES OF REVENUES UNDER EXPENDITURES	<u>(101,860)</u>	<u>(101,860)</u>	<u>(24,054)</u>	<u>77,806</u>
OTHER FINANCING SOURCES:				
Transfers in	96,860	96,860	54,960	(41,900)
Sale of municipal property	<u>5,000</u>	<u>5,000</u>	<u>8,404</u>	<u>3,404</u>
TOTAL OTHER FINANCING SOURCES	<u>101,860</u>	<u>101,860</u>	<u>63,364</u>	<u>(38,496)</u>
NET CHANGE IN FUND BALANCES	--	--	39,310	39,310
FUND BALANCE - BEGINNING	<u>280,505</u>	<u>280,505</u>	<u>280,505</u>	--
FUND BALANCE - ENDING	<u>\$ 280,505</u>	<u>\$ 280,505</u>	<u>\$ 319,815</u>	<u>\$ 39,310</u>

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2015 AND 2014

NOTE 1 - Budgets and Budgetary Accounting

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

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

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

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

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.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2015 AND 2014

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures 2015	Total Federal Expenditures 2014
U.S. DEPARTMENT OF JUSTICE:			
Direct Federal Funding:			
Bulletproof Vest Partnership Program	16.607	\$ --	\$ 392
TOTAL U.S. DEPARTMENT OF JUSTICE		--	392
U.S. DEPARTMENT OF TRANSPORTATION:			
Indirect Federal Funding:			
South Dakota Department of Transportation, Airport Improvement Program (Note 2)	20.106	2,433,970	51,466
Highway Safety Cluster:			
SD Department of Public Safety, State and Community Highway Safety	20.600	6,851	6,558
Highway Safety Camera Purchase Grant	20.608	775	--
Total U.S. DEPARTMENT OF TRANSPORTATION		2,441,596	58,024
U.S. GENERAL SERVICES ADMINISTRATION:			
Indirect Federal Funding:			
SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 3)	39.003	216	4
TOTAL U.S. GENERAL SERVICES ADMINISTRATION		216	4
GRAND TOTAL		\$2,441,812	\$58,420

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

The information in this Schedule for the 2015 expenditures, other than the Airport Improvement Program, are presented in accordance with the requirements of Title 2 U.S. Code of Federal regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: This represents a major federal financial assistance program. Since this grant was awarded prior to December 26, 2014, and the audit period started in 2014, Circular A-133 is applicable.

CITY OF MILLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWO YEARS ENDED DECEMBER 31, 2015 AND 2014
(CONTINUED)

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal property received by the City.

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2015 AND 2014

Indebtedness	Long-term Debt January 1, 2014	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2015
GOVERNMENTAL LONG-TERM DEBT:				
Revenue bonds	\$ 528,106	\$ --	\$294,935	\$ 233,171
Other long-term liabilities	57,924	32,186	47,712	42,398
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	7,807,661	202,802	300,871	7,709,592
Other long-term liabilities	<u>--</u>	<u>28,405</u>	<u>14,220</u>	<u>14,185</u>
Total	<u>\$8,393,691</u>	<u>\$263,393</u>	<u>\$657,738</u>	<u>\$7,999,346</u>

**SCHEDULE OF SUPPLEMENTARY INFORMATION
CITY OF MILLER
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET**

SOUTH DAKOTA RETIREMENT SYSTEM

Last 1 Fiscal Years*
(Dollar amounts in thousands)

	<u>2015</u>
City's proportion of the net pension asset	0.0426344%
City's proportionate share of net pension asset	\$ 181
City's covered-employee payroll	\$ 684
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	26.46%
Plan fiduciary net position as a percentage of the total pension asset	104%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is 6/30.