

CITY OF MITCHELL
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015

TABLE OF CONTENTS

| | PAGE |
|--|--------------|
| <i>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</i> | 1-2 |
| <i>SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS</i> | 3 |
| <i>INDEPENDENT AUDITOR’S REPORT</i> | 4-6 |
| <i>FINANCIAL STATEMENTS:</i> | |
| Statement of Net Position | 7 |
| Statement of Activities | 8 |
| Balance Sheet – Governmental Funds | 9 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 10 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds | 11-12 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 13 |
| Statement of Fund Net Position – Proprietary Funds | 14-15 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds | 16 |
| Statement of Cash Flows – Proprietary Funds | 17 |
| Statement of Net Position – Fiduciary Funds | 18 |
| <i>NOTES TO FINANCIAL STATEMENTS</i> | 19-55 |
| <i>REQUIRED SUPPLEMENTAL INFORMATION</i> | 56 |
| Budgetary Comparison Schedule – General Fund | 57-58 |
| Budgetary Comparison Schedule – Park Fund | 59 |
| Notes to the Required Supplemental Information | 60 |
| Schedule of Funding Progress | 61 |
| Schedule of the Municipality’s Proportionate Share of the Net Pension Liability (Asset) (SDRS) | 62 |
| Schedule of the Municipality’s Contributions (SDRS) | 63 |



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

To the City Council
City of Mitchell, South Dakota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Mitchell’s basic financial statements and have issued our report thereon dated August 17, 2016. Our report includes a reference to other auditors who audited the financial statements of “The Housing and Redevelopment Commission of the City of Mitchell” as described in our report on the City of Mitchell’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mitchell’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 of Mitchell’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mitchell’s internal control.

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 entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchell's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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.

A handwritten signature in cursive script that reads "CIO of LLC".

Mitchell, South Dakota
August 17, 2016

**CITY OF MITCHELL
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule of Prior Audit Findings

Finding 2014.001

Condition: The City's organizational structure is very decentralized. There are numerous cash collection points, with limited oversight by a centralized office. The purchasing of goods and services is performed by the various department heads with little coordination between departments. The City's computer systems are also decentralized with little oversight, monitoring or development by the City's IT department.

Recommendations: The City should consider reviewing its current internal control and organizational structure, focusing on cash receipts and purchasing functions. The City should also consider and internal audit function, either from an external or internal source to monitor the effectiveness of its systems.

Current Status: The City has implemented much of what has been recommended. The City of Mitchell hired a City Administrator in July, 2014. The City of Mitchell has implemented a city wide network to include oversight of IT systems now through the City Administrator's office. The city has implemented standard purchasing policies, standards of hardware/software, city-wide e-mail access, financial record access, network wide monitoring and virus protection as well as group purchasing for IT hardware and software. All access points now are covered with firewalls, backup, and administrative overview. The City has implemented more administrative overview in operational items through agenda format changes and supplemental budget request information. The City is in the process of considering an internal audit function and centralized purchasing coordination.

Finding 2014.002

Condition: The City's contract management system specifically related to sidewalk rehabilitation projects is not properly designed or functioning. The estimating process does not take into account the total scope of the projects, which results in a bidding process whereby the awarded contract in some cases was far less than the actual cost of completion. No contract change orders were required from the contractors when the costs of projects exceeded the originally awarded bid amount.

Recommendations: We recommend that the department head in charge of these projects have training in the area of contract estimating and planning. We also recommend a process be put in place so that projects are fully estimated on the front end of the work to encompass the full scope of the work. A process should be put in place whereby any cost overruns on these projects require change orders from the contractor.

Current Status: Changes to project bid awards now require the submission of a change order approved by the City Council prior to payment. The 2016 and future budgets will be prepared with proper estimation of costs to encompass the full scope of work. Bids will be requested for the full scope of work of the project. Supplemental budgets will be used for changes in scope of work.



website: www.elocpa.com

e-mail: elo@elocpa.com

Your success is our business!

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mitchell, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mitchell as of and for the year ended December 31, 2015 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Housing and Redevelopment Commission of the City of Mitchell, South Dakota, (HRC) which represent 100% of the total assets at June 30, 2015 and 100% of the total revenue for the year then ended of the aggregate discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the aggregate discretely presented component unit is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mitchell as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 13 to the financial statements, the City of Mitchell adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 13 to the financial statements, the City of Mitchell has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Funding Progress (OPEB), Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of Municipality's Contributions (SDRS) on Pages 57-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2016 on our consideration of the City of Mitchell'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 of Mitchell's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CIO of LLC".

Mitchell, South Dakota
August 17, 2016

CITY OF MITCHELL
STATEMENT OF NET POSITION
DECEMBER 31, 2015

| | <i>Primary Government</i> | | <i>Total</i> | <i>Component Unit</i> |
|---|--------------------------------|---------------------------------|-----------------------|-----------------------|
| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 13,591,546 | \$ 5,154,658 | \$ 18,746,204 | \$ 1,634,950 |
| Investments | 1,171,367 | -- | 1,171,367 | -- |
| Accounts receivable | 2,073,995 | 991,347 | 3,065,342 | 32,992 |
| Internal balances | 150,000 | (150,000) | -- | -- |
| Inventories | 535,868 | 490,909 | 1,026,777 | 8,415 |
| Other assets | 500,000 | -- | 500,000 | 18,220 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 989,324 | 395,632 | 1,384,956 | -- |
| Investments | 1,397,595 | 929,761 | 2,327,356 | -- |
| Deposits | 226,377 | -- | 226,377 | -- |
| Net pension asset | 1,782,360 | 372,439 | 2,154,799 | 54,251 |
| Capital assets: | | | | |
| Land and construction in progress | 5,186,581 | 7,491,141 | 12,677,722 | 20,239 |
| Other capital assets, net of depreciation | 43,094,676 | 51,784,862 | 94,879,538 | 1,195,762 |
| TOTAL ASSETS | 70,699,689 | 67,460,749 | 138,160,438 | 2,964,829 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Pension related deferred outflows | 3,102,783 | 648,353 | 3,751,136 | 51,765 |
| LIABILITIES: | | | | |
| Accounts payable | 453,304 | 234,374 | 687,678 | 3,087 |
| Other current liabilities | 210,770 | -- | 210,770 | 60,358 |
| Noncurrent liabilities: | | | | |
| Due within one year | 2,038,200 | 512,329 | 2,550,529 | 4,707 |
| Due in more than one year | 23,429,268 | 6,823,157 | 30,252,425 | 4,388 |
| TOTAL LIABILITIES | 26,131,542 | 7,569,860 | 33,701,402 | 72,540 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Pension related deferred inflows of resources | 2,627,143 | 548,964 | 3,176,107 | 62,831 |
| NET POSITION: | | | | |
| Net Investment in capital assets | 23,792,047 | 52,990,222 | 76,782,269 | 1,216,001 |
| Restricted for: | | | | |
| Capital projects purposes | 5,731,923 | 367,692 | 6,099,615 | -- |
| Debt service purposes | 2,667,322 | 27,940 | 2,695,262 | -- |
| Landfill closure and post-closure costs | 2,237,687 | 929,761 | 3,167,448 | -- |
| SDRS pension purposes | 2,258,000 | 471,828 | 2,729,828 | -- |
| Risk pool capitalization contribution | 226,377 | -- | 226,377 | -- |
| Unrestricted | 8,130,431 | 5,202,835 | 13,333,266 | 1,665,222 |
| TOTAL NET POSITION | \$ 45,043,787 | \$ 59,990,278 | \$ 105,034,065 | \$ 2,881,223 |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| <i>Primary Government:</i> | | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | | |
| General government | \$ 1,657,861 | \$ 7,631 | \$ -- | \$ -- | \$ (1,650,230) | \$ -- | \$ (1,650,230) | \$ -- |
| Public safety | 5,469,636 | 804,342 | 100,637 | -- | (4,564,657) | -- | (4,564,657) | -- |
| Public works | 3,090,881 | 5,590 | 1,987,669 | 210,809 | (886,813) | -- | (886,813) | -- |
| Health and welfare | 2,020,882 | 1,322,991 | 304,476 | -- | (393,415) | -- | (393,415) | -- |
| Culture and recreation | 3,904,782 | 808,004 | 218,375 | -- | (2,878,403) | -- | (2,878,403) | -- |
| Conservation and development | 465,000 | -- | -- | -- | (465,000) | -- | (465,000) | -- |
| Interest on long-term debt | 904,515 | 14,803 | -- | -- | (889,712) | -- | (889,712) | -- |
| Total Governmental Activities | 17,513,557 | 2,963,361 | 2,611,157 | 210,809 | (11,728,230) | -- | (11,728,230) | -- |
| <i>Business-type Activities:</i> | | | | | | | | |
| Water | 2,406,045 | 2,954,800 | -- | -- | -- | 548,755 | 548,755 | -- |
| Sewer | 1,353,838 | 2,172,498 | -- | 751,997 | -- | 1,570,657 | 1,570,657 | -- |
| Airport | 634,746 | 181,897 | 14,510 | -- | -- | (438,339) | (438,339) | -- |
| Sanitation | 1,704,362 | 2,072,692 | -- | -- | -- | 368,330 | 368,330 | -- |
| Corn Palace | 1,777,998 | 873,397 | 52,531 | 160,701 | -- | (691,369) | (691,369) | -- |
| Golf | 484,192 | 418,492 | 430 | -- | -- | (65,270) | (65,270) | -- |
| Total Business-type Activities | 8,361,181 | 8,673,776 | 67,471 | 912,698 | -- | 1,292,764 | 1,292,764 | -- |
| Total Primary Government | \$ 25,874,738 | \$ 11,637,137 | \$ 2,678,628 | \$ 1,123,507 | (11,728,230) | 1,292,764 | (10,435,466) | -- |
| <i>Component Unit:</i> | | | | | | | | |
| Housing and Redevelopment Commission | \$ 809,304 | \$ 464,837 | \$ 638,203 | \$ -- | -- | -- | -- | 293,736 |
| <i>General Revenues:</i> | | | | | | | | |
| <i>Taxes:</i> | | | | | | | | |
| Property taxes | | | | | 5,554,288 | -- | 5,554,288 | -- |
| Sales taxes | | | | | 12,178,820 | -- | 12,178,820 | -- |
| Gross receipts taxes | | | | | 186,784 | -- | 186,784 | -- |
| <i>Revenue from State Sources:</i> | | | | | | | | |
| State shared revenues | | | | | 120,489 | -- | 120,489 | -- |
| Other | | | | | 8,056 | -- | 8,056 | -- |
| Unrestricted investment earnings | | | | | 6,162 | 13,692 | 19,854 | 2,405 |
| Miscellaneous revenues | | | | | 114,678 | 1,070 | 115,748 | -- |
| <i>Transfers</i> | | | | | 943,846 | (943,846) | -- | -- |
| Total General Revenues and Transfers | | | | | 19,113,123 | (929,084) | 18,184,039 | 2,405 |
| Change in Net Position | | | | | 7,384,893 | 363,680 | 7,748,573 | 296,141 |
| <i>NET POSITION, Beginning of Year</i> | | | | | | | | |
| <i>Restated (See Note 13)</i> | | | | | | | | |
| | | | | | 37,658,894 | 59,626,598 | 97,285,492 | 2,585,082 |
| <i>NET POSITION, End of Year</i> | | | | | | | | |
| | | | | | \$ 45,043,787 | \$ 59,990,278 | \$ 105,034,065 | \$ 2,881,223 |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015

| | <i>General Fund</i> | <i>Park Fund</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|--|----------------------|-------------------|---|---|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 5,034,805 | \$ 255,636 | \$ 7,772,872 | \$ 13,063,313 |
| Investments | 1,171,367 | -- | -- | 1,171,367 |
| Taxes receivable-delinquent | 46,273 | -- | -- | 46,273 |
| Accounts Receivable | 33,494 | 4,988 | 7,459 | 45,941 |
| Special assessments receivable - | | | | |
| Current | 8,303 | -- | 10,050 | 18,353 |
| Delinquent | 2,906 | -- | 12,649 | 15,555 |
| Deferred | 11,291 | -- | 22,402 | 33,693 |
| Notes receivable | 500,000 | -- | -- | 500,000 |
| Due from other funds | 175,000 | -- | -- | 175,000 |
| Due from other governments | 1,606,078 | -- | 254,584 | 1,860,662 |
| Supply inventory | 491,499 | 40,089 | 4,279 | 535,867 |
| Deposits | 226,377 | -- | -- | 226,377 |
| Restricted cash | 989,324 | -- | -- | 989,324 |
| Restricted investments | 1,397,595 | -- | -- | 1,397,595 |
| TOTAL ASSETS | \$ 11,694,312 | \$ 300,713 | \$ 8,084,295 | \$ 20,079,320 |
| LIABILITIES AND FUND BALANCES: | | | | |
| <i>Liabilities:</i> | | | | |
| Accounts payable | \$ 230,120 | \$ 61,281 | \$ 48,713 | \$ 340,114 |
| Due to other funds | -- | -- | 25,000 | 25,000 |
| Total Liabilities | 230,120 | 61,281 | 73,713 | 365,114 |
| <i>Deferred inflows of resources</i> | | | | |
| Unavailable revenue | 1,140,758 | -- | 100,977 | 1,241,735 |
| Total Deferred Inflows of Resources | 1,140,758 | -- | 100,977 | 1,241,735 |
| <i>Fund Balances:</i> | | | | |
| Nonspendable | 1,217,876 | 40,089 | 4,279 | 1,262,244 |
| Restricted | 2,386,919 | 199,343 | 7,488,255 | 10,074,517 |
| Assigned | 3,087,021 | -- | 417,071 | 3,504,092 |
| Unassigned | 3,631,618 | -- | -- | 3,631,618 |
| Total Fund Balances | 10,323,434 | 239,432 | 7,909,605 | 18,472,471 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 11,694,312 | \$ 300,713 | \$ 8,084,295 | \$ 20,079,320 |

*The accompanying Notes to Financial Statements are an
integral part of this statement.*

**CITY OF MITCHELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total Fund Balances - Government Funds **\$ 18,472,471**

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|-----------------------------|
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | 1,782,360 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 48,281,257 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 3,102,783 |
| Long-term liabilities, including bonds payable, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds. | (25,467,468) |
| Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are not deferred in the funds. | 113,873 |
| Sales tax and revenue from sale of goods and services received after the "availability" period is deferred in the funds' statements. | 1,127,862 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | (2,627,143) |
| Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | <u>257,792</u> |
| <i>Net Position - Governmental Activities</i> | <u><u>\$ 45,043,787</u></u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| <u>REVENUES</u> | <u>General Fund</u> | <u>Park Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|---------------------|------------------|---|---|
| <i>Revenue from Local Sources:</i> | | | | |
| Taxes: | | | | |
| General property taxes | \$ 4,688,864 | \$ -- | \$ 851,450 | \$ 5,540,314 |
| General sales taxes | 11,295,421 | -- | 874,761 | 12,170,182 |
| Gross receipts taxes | 186,784 | -- | -- | 186,784 |
| Amusement taxes | 1,680 | -- | -- | 1,680 |
| 911 telephone surcharge | -- | -- | 271,171 | 271,171 |
| Penalties and interest on taxes | 10,316 | -- | -- | 10,316 |
| Licenses and permits | 216,634 | -- | -- | 216,634 |
| Intergovernmental Revenue: | | | | |
| Federal grants | 231,741 | 29,262 | 697,732 | 958,735 |
| State grants | 732,601 | -- | 84,979 | 817,580 |
| State shared revenues | 725,038 | -- | -- | 725,038 |
| County shared revenues | 498 | -- | -- | 498 |
| Other | 25,215 | -- | -- | 25,215 |
| Charges for Goods or Services: | | | | |
| General government | 7,631 | -- | -- | 7,631 |
| Public safety | 85,889 | -- | 222,313 | 308,202 |
| Highways and streets | 5,590 | -- | -- | 5,590 |
| Health | -- | -- | 433,930 | 433,930 |
| Culture and recreation | -- | 808,004 | -- | 808,004 |
| Ambulance | 721,686 | -- | -- | 721,686 |
| Cemetery | 98,293 | -- | -- | 98,293 |
| Fines and Forfeits: | | | | |
| Court fines | 3,926 | -- | -- | 3,926 |
| Other fines | 19,856 | -- | 38,617 | 58,473 |
| Miscellaneous Revenue: | | | | |
| Interest earned | 5,613 | -- | 549 | 6,162 |
| Rentals | -- | 6,000 | -- | 6,000 |
| Special assessments | 27,874 | -- | 15,684 | 43,558 |
| Contributions from private sources | 93,275 | 33,182 | 44,004 | 170,461 |
| Other | 112,903 | -- | 185,456 | 298,359 |
| TOTAL REVENUES | 19,297,328 | 876,448 | 3,720,646 | 23,894,422 |

*The accompanying Notes to Financial Statements are an
integral part of this statement*

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

| | <u>General Fund</u> | <u>Park Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--------------------|---|---|
| <u>EXPENDITURES</u> | | | | |
| General Government: | | | | |
| Legislative | \$ 165,937 | \$ -- | \$ -- | \$ 165,937 |
| Executive | 207,357 | -- | -- | 207,357 |
| Elections | 7,131 | -- | -- | 7,131 |
| Financial administration | 1,023,850 | -- | -- | 1,023,850 |
| Other | 192,965 | -- | -- | 192,965 |
| Public Safety: | | | | |
| Police | 2,872,968 | -- | -- | 2,872,968 |
| Fire | 1,536,429 | -- | -- | 1,536,429 |
| Other protection | -- | -- | 806,889 | 806,889 |
| Public Works: | | | | |
| Highways and streets | 2,456,189 | -- | -- | 2,456,189 |
| Cemeteries | 195,015 | -- | -- | 195,015 |
| Health and Welfare: | | | | |
| Health | 82,500 | -- | 1,252,122 | 1,334,622 |
| Humane society | 60,156 | -- | -- | 60,156 |
| Ambulance | 541,970 | -- | -- | 541,970 |
| Culture and Recreation: | | | | |
| Recreation | 187,880 | 1,582,870 | -- | 1,770,750 |
| Parks | -- | 835,828 | -- | 835,828 |
| Libraries | 543,428 | -- | 11,803 | 555,231 |
| Conservation and Development: | | | | |
| Economic opportunity | 104,000 | -- | 361,000 | 465,000 |
| Debt Service | 2,012,726 | -- | 803,376 | 2,816,102 |
| Capital Outlay | 2,008,126 | 483,449 | 150,061 | 2,641,636 |
| TOTAL EXPENDITURES | <u>14,198,627</u> | <u>2,902,147</u> | <u>3,385,251</u> | <u>20,486,025</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | <u>5,098,701</u> | <u>(2,025,699)</u> | <u>335,395</u> | <u>3,408,397</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers-in | 700,000 | 2,015,000 | 5,899,386 | 8,614,386 |
| Transfers-out | (4,177,607) | -- | (3,692,933) | (7,870,540) |
| Sale of City property | 12,584 | 2,112 | 2,416 | 17,112 |
| Net Change in Fund Balances | <u>1,633,678</u> | <u>(8,587)</u> | <u>2,544,264</u> | <u>4,169,355</u> |
| FUND BALANCE, Beginning of Year | <u>8,689,756</u> | <u>248,019</u> | <u>5,365,341</u> | <u>14,303,116</u> |
| FUND BALANCE, End of Year | <u>\$ 10,323,434</u> | <u>\$ 239,432</u> | <u>\$ 7,909,605</u> | <u>\$ 18,472,471</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Government Funds \$ 4,169,355

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|----------------|
| This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. | 2,243,269 |
| This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. | (1,507,730) |
| Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. | 1,911,587 |
| The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in the the fund financial statements require the amounts to be "available". | (8,516) |
| The fund financial statement governmental fund sales and use tax tax accruals differ from the government wide statement sales and use tax accruals in that the fund financial statements require the amounts to be "available". | 8,638 |
| Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable claim arises. | 47,948 |
| absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. | (3,184) |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | 269,769 |
| Internal services 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 fund is reported with governmental activities. | <u>253,757</u> |

Change in Net Position of Governmental Activities \$ 7,384,893

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2015

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Airport Fund</u> | <u>Sanitation Fund</u> | <u>Corn Palace Funds</u> | <u>Golf Funds</u> | <u>Total</u> | <u>Internal Service Fund</u> |
|--|---------------------|--------------------|---------------------|------------------------|--------------------------|--------------------|---------------------|------------------------------|
| ASSETS: | | | | | | | | |
| <i>Current Assets:</i> | | | | | | | | |
| Cash and cash equivalents | \$ 1,256,384 | \$ 1,055,111 | \$ 165,084 | \$ 2,232,680 | \$ 405,765 | \$ 39,634 | \$ 5,154,658 | \$ 528,231 |
| Accounts receivable | 360,163 | 324,739 | -- | 305,307 | 1,138 | -- | 991,347 | 53,518 |
| Supply inventory | 385,215 | 28,269 | 5,359 | 19,116 | 32,819 | 20,130 | 490,908 | -- |
| <i>Total Current Assets</i> | <u>2,001,762</u> | <u>1,408,119</u> | <u>170,443</u> | <u>2,557,103</u> | <u>439,722</u> | <u>59,764</u> | <u>6,636,913</u> | <u>581,749</u> |
| <i>Noncurrent Assets:</i> | | | | | | | | |
| Restricted cash and cash equivalents | -- | 80,000 | -- | 27,940 | 287,692 | -- | 395,632 | -- |
| Restricted investments | -- | -- | -- | 929,761 | -- | -- | 929,761 | -- |
| Net pension asset | 71,966 | 68,913 | 13,610 | 105,659 | 84,867 | 27,423 | 372,438 | -- |
| <i>Capital Assets:</i> | | | | | | | | |
| Land | 154,027 | 148,092 | 39,743 | 550,373 | 50,650 | 169,843 | 1,112,728 | -- |
| Buildings | 12,935,319 | 291,263 | 544,983 | 1,114,475 | 3,658,185 | 314,500 | 18,858,725 | -- |
| Improvements other than buildings | 24,453,672 | 11,637,363 | 17,038,360 | 2,680,945 | 55,053 | 1,171,581 | 57,036,974 | -- |
| Machinery and equipment | 3,467,621 | 6,543,708 | 600,650 | 2,038,613 | 398,919 | 604,852 | 13,654,363 | -- |
| Construction in progress | -- | 406,913 | -- | 1,199,456 | 4,772,045 | -- | 6,378,414 | -- |
| Intangible assets | -- | 2,500 | -- | -- | -- | -- | 2,500 | -- |
| Accumulated depreciation | <u>(13,860,727)</u> | <u>(6,965,792)</u> | <u>(11,073,804)</u> | <u>(2,849,724)</u> | <u>(1,625,616)</u> | <u>(1,392,040)</u> | <u>(37,767,703)</u> | <u>--</u> |
| <i>Total Noncurrent Assets</i> | <u>27,221,878</u> | <u>12,212,960</u> | <u>7,163,542</u> | <u>5,797,498</u> | <u>7,681,795</u> | <u>896,159</u> | <u>60,973,832</u> | <u>--</u> |
| TOTAL ASSETS | <u>29,223,640</u> | <u>13,621,079</u> | <u>7,333,985</u> | <u>8,354,601</u> | <u>8,121,517</u> | <u>955,923</u> | <u>67,610,745</u> | <u>581,749</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | | | | |
| Pension related deferred outflows | <u>125,281</u> | <u>119,966</u> | <u>23,693</u> | <u>183,935</u> | <u>147,738</u> | <u>47,739</u> | <u>648,352</u> | <u>--</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2015
(CONTINUED)

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Airport Fund</u> | <u>Sanitation Fund</u> | <u>Corn Palce Funds</u> | <u>Golf Funds</u> | <u>Total</u> | <u>Internal Service Fund</u> |
|--|----------------------|----------------------|---------------------|------------------------|-------------------------|-------------------|----------------------|------------------------------|
| LIABILITIES: | | | | | | | | |
| <i>Current Liabilities:</i> | | | | | | | | |
| Accounts payable | \$ 104,965 | \$ 50,782 | \$ 5,845 | \$ 39,924 | \$ 32,227 | \$ 632 | \$ 234,375 | \$ 113,187 |
| Due to other funds | -- | 75,000 | -- | -- | -- | 75,000 | 150,000 | -- |
| Incurred but not reported claims payable | -- | -- | -- | -- | -- | -- | -- | 210,770 |
| Compensated absences payable - current | 5,973 | 8,008 | 750 | 8,099 | 4,082 | 3,584 | 30,496 | -- |
| Capital lease obligations - current | -- | 57,992 | -- | -- | -- | -- | 57,992 | -- |
| Bonds payable - current: | | | | | | | | |
| Revenue | 226,135 | 90,238 | -- | 107,468 | -- | -- | 423,841 | -- |
| Total Current Liabilities | <u>337,073</u> | <u>282,020</u> | <u>6,595</u> | <u>155,491</u> | <u>36,309</u> | <u>79,216</u> | <u>896,704</u> | <u>323,957</u> |
| <i>Noncurrent Liabilities:</i> | | | | | | | | |
| Bonds payable: | | | | | | | | |
| Revenue | 2,810,986 | 1,651,135 | -- | 1,158,716 | -- | -- | 5,620,837 | -- |
| Capital lease obligations | -- | 183,109 | -- | -- | -- | -- | 183,109 | -- |
| Accrued leave payable | 17,918 | 32,030 | 2,250 | 24,297 | 12,247 | 10,753 | 99,495 | -- |
| Accrued landfill closure and postclosure costs | -- | -- | -- | 873,144 | -- | -- | 873,144 | -- |
| Net OPEB Obligation | 11,344 | 7,893 | 1,193 | 12,609 | 11,366 | 2,166 | 46,571 | -- |
| Total Noncurrent Liabilities | <u>2,840,248</u> | <u>1,874,167</u> | <u>3,443</u> | <u>2,068,766</u> | <u>23,613</u> | <u>12,919</u> | <u>6,823,156</u> | <u>--</u> |
| TOTAL LIABILITIES | <u>3,177,321</u> | <u>2,156,187</u> | <u>10,038</u> | <u>2,224,257</u> | <u>59,922</u> | <u>92,135</u> | <u>7,719,860</u> | <u>323,957</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | | |
| Pension related deferred inflows | <u>106,076</u> | <u>101,576</u> | <u>20,061</u> | <u>155,739</u> | <u>125,091</u> | <u>40,421</u> | <u>548,964</u> | <u>--</u> |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 24,112,792 | 10,081,572 | 7,149,932 | 3,467,954 | 7,309,236 | 868,736 | 52,990,222 | -- |
| Restricted for | | | | | | | | |
| Revenue bond debt service | -- | -- | -- | 27,940 | -- | -- | 27,940 | -- |
| Equipment repair and/or replacement | -- | 80,000 | -- | -- | 287,692 | -- | 367,692 | -- |
| Landfill closure and post-closure costs | -- | -- | -- | 929,761 | -- | -- | 929,761 | -- |
| SDRS pension purposes | 91,171 | 87,303 | 17,243 | 133,856 | 107,514 | 34,741 | 471,828 | -- |
| Unrestricted net position | 1,861,561 | 1,234,407 | 160,404 | 1,599,029 | 379,800 | (32,371) | 5,202,830 | 257,792 |
| Total Net Position | <u>\$ 26,065,524</u> | <u>\$ 11,483,282</u> | <u>\$ 7,327,579</u> | <u>\$ 6,158,540</u> | <u>\$ 8,084,242</u> | <u>\$ 871,106</u> | <u>\$ 59,990,273</u> | <u>\$ 257,792</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Airport Fund</u> | <u>Sanitation Fund</u> | <u>Corn Palace Fund</u> | <u>Golf Fund</u> | <u>Total</u> | <u>Internal Service Fund</u> |
|---|----------------------|----------------------|---------------------|------------------------|-------------------------|-------------------|----------------------|------------------------------|
| OPERATING REVENUES: | | | | | | | | |
| Charges for goods and services | \$ 2,954,799 | \$ 2,172,498 | \$ 181,897 | \$ 2,072,692 | \$ 873,397 | \$ 418,491 | \$ 8,673,774 | \$ -- |
| Contributions and donations | -- | -- | -- | -- | 52,531 | 430 | 52,961 | -- |
| Health insurance contributions | -- | -- | -- | -- | -- | -- | -- | 2,634,221 |
| <i>Total Operating revenue</i> | <u>2,954,799</u> | <u>2,172,498</u> | <u>181,897</u> | <u>2,072,692</u> | <u>925,928</u> | <u>418,921</u> | <u>8,726,735</u> | <u>2,634,221</u> |
| OPERATING EXPENSES: | | | | | | | | |
| Personal services | 447,017 | 411,875 | 76,984 | 626,634 | 750,602 | 215,433 | 2,528,545 | -- |
| Cost of sales | 604,359 | -- | -- | -- | 112,778 | -- | 717,137 | -- |
| Other current expense | 541,439 | 523,807 | 93,335 | 804,822 | 824,907 | 195,551 | 2,983,861 | 2,580,466 |
| Depreciation | 703,475 | 369,235 | 464,427 | 228,734 | 89,712 | 73,208 | 1,928,791 | -- |
| <i>Total Operating Expenses</i> | <u>2,296,290</u> | <u>1,304,917</u> | <u>634,746</u> | <u>1,660,190</u> | <u>1,777,999</u> | <u>484,192</u> | <u>8,158,334</u> | <u>2,580,466</u> |
| <i>Operating Income (Loss)</i> | <u>658,509</u> | <u>867,581</u> | <u>(452,849)</u> | <u>412,502</u> | <u>(852,071)</u> | <u>(65,271)</u> | <u>568,401</u> | <u>53,755</u> |
| NONOPERATING REVENUE (EXPENSE): | | | | | | | | |
| Operating grants | -- | -- | 14,510 | -- | -- | -- | 14,510 | -- |
| Interest earned | -- | -- | -- | 13,537 | 156 | -- | 13,693 | -- |
| Interest expense | (109,756) | (48,922) | -- | (44,173) | -- | -- | (202,851) | -- |
| Gain on disposition of assets | -- | -- | -- | -- | 312 | 758 | 1,070 | -- |
| <i>Total Nonoperating Revenues</i> | <u>(109,756)</u> | <u>(48,922)</u> | <u>14,510</u> | <u>(30,636)</u> | <u>468</u> | <u>758</u> | <u>(173,578)</u> | <u>--</u> |
| <i>Net Income (Loss) before Capital Contributions and Transfers</i> | 548,753 | 818,659 | (438,339) | 381,866 | (851,603) | (64,513) | 394,823 | 53,755 |
| Capital contributions | -- | 751,997 | -- | -- | 160,701 | -- | 912,698 | -- |
| Transfers in | -- | -- | -- | -- | 785,337 | -- | 785,337 | 200,000 |
| Transfers (out) | (300,000) | (300,000) | -- | (100,000) | (1,029,183) | -- | (1,729,183) | -- |
| <i>Change in Net Position</i> | 248,753 | 1,270,656 | (438,339) | 281,866 | (934,748) | (64,513) | 363,675 | 253,755 |
| <i>NET POSITION, Beginning of Year - Restated (See Note 13)</i> | <u>25,816,771</u> | <u>10,212,626</u> | <u>7,765,918</u> | <u>5,876,674</u> | <u>9,018,990</u> | <u>935,619</u> | <u>59,626,598</u> | <u>4,037</u> |
| <i>NET POSITION, End of Year</i> | <u>\$ 26,065,524</u> | <u>\$ 11,483,282</u> | <u>\$ 7,327,579</u> | <u>\$ 6,158,540</u> | <u>\$ 8,084,242</u> | <u>\$ 871,106</u> | <u>\$ 59,990,273</u> | <u>\$ 257,792</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <i>Water Fund</i> | <i>Sewer Fund</i> | <i>Airport Fund</i> | <i>Sanitation Fund</i> | <i>Corn Palace Fund</i> | <i>Golf Fund</i> | <i>Total</i> | <i>Internal Service Fund</i> |
|---|---------------------|---------------------|---------------------|------------------------|-------------------------|------------------|---------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Receipts from customers | \$ 2,966,694 | \$ 2,110,532 | \$ 186,653 | \$ 2,114,552 | \$ 955,102 | \$ 428,499 | \$ 8,762,032 | \$ (43,633) |
| Cash receipts for interfund services | -- | -- | -- | -- | -- | -- | -- | 2,634,221 |
| Payments to employees for services | (481,555) | (427,738) | (83,683) | (667,858) | (789,723) | (228,259) | (2,678,816) | -- |
| Payments to suppliers | (1,086,080) | (803,532) | (93,929) | (753,512) | (1,205,741) | (188,682) | (4,131,476) | (2,492,384) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>1,399,059</u> | <u>879,262</u> | <u>9,041</u> | <u>693,182</u> | <u>(1,040,362)</u> | <u>11,558</u> | <u>1,951,740</u> | <u>98,204</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | | | | |
| Transfers in from other funds | -- | -- | -- | -- | 785,337 | -- | 785,337 | 200,000 |
| Transfers (to) other funds | (300,000) | (300,000) | -- | (100,000) | (1,029,183) | -- | (1,729,183) | -- |
| NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES | <u>(300,000)</u> | <u>(300,000)</u> | <u>--</u> | <u>(100,000)</u> | <u>(243,846)</u> | <u>--</u> | <u>(943,846)</u> | <u>200,000</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | | | |
| Capital contributions | -- | 751,997 | -- | -- | 160,701 | -- | 912,698 | -- |
| Proceeds from sale of capital assets | -- | -- | -- | -- | 312 | 758 | 1,070 | -- |
| Purchase of capital assets | (310,652) | (829,279) | -- | (317,794) | (2,591,453) | (10,751) | (4,059,929) | -- |
| Debt principal paid | (225,970) | (152,264) | -- | (111,476) | -- | -- | (489,710) | -- |
| Debt interest paid | (109,756) | (48,922) | -- | (44,173) | -- | -- | (202,851) | -- |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(646,378)</u> | <u>(278,468)</u> | <u>--</u> | <u>(473,443)</u> | <u>(2,430,440)</u> | <u>(9,993)</u> | <u>(3,838,722)</u> | <u>--</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | | |
| Purchase of investments | -- | -- | -- | (41,476) | -- | -- | (41,476) | -- |
| Operating grant received | -- | -- | 14,510 | -- | -- | -- | 14,510 | -- |
| Transfer (to) restricted cash | -- | (80,000) | -- | -- | (287,692) | -- | (367,692) | -- |
| Proceeds from investments | 50,050 | -- | -- | -- | -- | -- | 50,050 | -- |
| Cash received for interest | -- | -- | -- | 13,537 | 156 | -- | 13,693 | -- |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>50,050</u> | <u>(80,000)</u> | <u>14,510</u> | <u>(27,939)</u> | <u>(287,536)</u> | <u>--</u> | <u>(330,915)</u> | <u>--</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>502,731</u> | <u>220,794</u> | <u>23,551</u> | <u>91,800</u> | <u>(4,002,184)</u> | <u>1,565</u> | <u>(3,161,743)</u> | <u>298,204</u> |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>753,653</u> | <u>834,317</u> | <u>141,533</u> | <u>2,140,880</u> | <u>4,407,949</u> | <u>38,069</u> | <u>8,316,401</u> | <u>230,027</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u>\$ 1,256,384</u> | <u>\$ 1,055,111</u> | <u>\$ 165,084</u> | <u>\$ 2,232,680</u> | <u>\$ 405,765</u> | <u>\$ 39,634</u> | <u>\$ 5,154,658</u> | <u>\$ 528,231</u> |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS (USED) BY OPERATING ACTIVITIES: | | | | | | | | |
| Operating (Loss) | \$ 658,509 | \$ 867,581 | \$ (452,849) | \$ 412,502 | \$ (852,071) | \$ (65,271) | \$ 568,401 | \$ 53,755 |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: | | | | | | | | |
| Depreciation | 703,475 | 369,235 | 464,427 | 228,734 | 89,712 | 73,208 | 1,928,791 | -- |
| Changes in Assets and Liabilities: | | | | | | | | |
| Receivables | (13,243) | (86,038) | -- | 4,955 | (469) | -- | (94,795) | (43,633) |
| Inventories | 13,137 | (15,613) | (505) | 14,581 | (425) | 7,307 | 18,482 | -- |
| Pension related deferred outflow | (25,595) | (24,509) | (4,840) | (37,579) | (30,183) | (9,754) | (132,460) | -- |
| Net pension asset | 50,733 | 48,581 | 9,595 | 74,485 | 59,826 | 19,332 | 262,552 | -- |
| Accounts and other payables | 46,864 | (246,510) | (145) | 46,675 | (265,818) | 119 | (418,815) | 88,082 |
| Pension related deferred inflow | (36,030) | (34,501) | (6,815) | (52,898) | (42,488) | (13,729) | (186,461) | -- |
| Accrued leave and OPEB payable | 1,209 | 1,036 | 173 | 1,727 | 1,554 | 346 | 6,045 | -- |
| CASH FLOWS (USED) BY OPERATING ACTIVITIES | <u>\$ 1,399,059</u> | <u>\$ 879,262</u> | <u>\$ 9,041</u> | <u>\$ 693,182</u> | <u>\$ (1,040,362)</u> | <u>\$ 11,558</u> | <u>\$ 1,951,740</u> | <u>\$ 98,204</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2015

| | <i>Agency Funds</i> |
|---------------------------|-------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 789,495 |
| Other Assets | 140,585 |
| TOTAL ASSETS | 930,080 |
| LIABILITIES: | |
| Accounts Payable | 23,456 |
| Amounts held for others | 906,624 |
| <i>Total Liabilities</i> | 930,080 |
| NET POSITION | \$ -- |

*The accompanying Notes to Financial Statements are an
integral part of this statement.*

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

a. *Financial Reporting Entity:*

The reporting entity of the City of Mitchell (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); 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 Mitchell, 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 a low-income housing unit, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: The Housing and Redevelopment Commission of the City of Mitchell, Tammy Frost, Executive Director, 200 East 15th Mitchell, SD 57301.

b. *Basis of Presentation:*

Government-wide Statements:

The Statement of Net Position and the 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 and discretely presented component units. 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 MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Government-wide Statements: (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 three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the 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 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprises funds as major for consistency in reporting from year to year, or because of public interest in the funds' 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Governmental Funds: (continued)

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.

Park Fund – to account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the city and the related costs of these facilities. This is a major fund.

The remaining Special Revenue funds are not considered major funds: **Liquor, Lodging and Dining Gross Receipts Tax Fund, Special Assessment Revolving Fund, 911 Emergency Fund, RSVP Fund, Nutrition Fund, and Library Fines Fund.** These funds are reported on the fund financial statements as “Other Governmental Funds”.

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

Tax Increment Financing (TIF) Funds – to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has thirteen (13) of these debt service funds. None of the TIF funds are major funds.

Capital Project 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).

City Hall Fund – to account for financial resources to be used for a new City Hall building. This is not a major fund. This fund was closed in 2015 and proceeds transferred to the Indoor Swimming Pool Fund.

Library Renovation Fund – to account for financial resources to be used for the library renovation project. This is not a major fund. This fund was closed in 2015 and proceeds transferred to the Indoor Swimming Pool Fund.

MAC Addition Fund – to account for financial resources to be used for the MAC addition. This is not a major fund. This fund was closed in 2015 and proceeds transferred to the Indoor Swimming Pool Fund

Tax Increment Financing (TIF) District Capital Project Funds (TIF # 17 and TIF #19) – to account for financial resources to be used for construction of the TIF #17 and #19 projects. These are not major funds.

Indoor Swimming Pool Fund – to account for financial resources to be used for construction of an indoor swimming pool. This is not a major fund.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Proprietary Funds:

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

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

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

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

Sanitation Fund – financed primarily by user charges, this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund – financed by user charges and transfers in from the General and Liquor, Lodging and Dining Gross Receipts Tax Funds, this fund accounts for the operation of the Corn Palace. This is a major fund.

Golf Fund – financed by user charges, this fund accounts for operation of the City golf course. This is a major fund.

Airport Fund – financed by federal grants, state grants, transfers-in from General Fund and user fees, this fund accounts for operation of the City airport. This is a major fund.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Internal Services Funds – internal services 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 government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal Service Funds are never considered to be major funds.

Fiduciary Funds - Agency Funds – agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds consist of special assessment projects and payroll-related withholdings.

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.

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 on the accrual basis of accounting.

Fund Financial Statements – in the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

c. *Measurement Focus and Basis of Accounting: (continued)*

Basis of Accounting:

Government-wide Financial Statements – in the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – all governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Mitchell, is 30 days. The revenues which are accrued at December 31, 2015 are sales tax, real estate taxes, state shared revenues, and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

d. *Interfund Eliminations and Reclassifications:*

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect of internal service fund activity, certain “centralized expenses” including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.

e. *Deposits and Investments:*

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less.

Investments classified in the financial statements consist primarily 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.

f. *Capital Assets:*

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

f. *Capital Assets: (continued)*

Government-wide Statements:

Capital assets are recorded at historical cost or estimated cost where actual historical cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2015 balance of governmental activities capital assets includes approximately 50% for which the costs were determined by estimates of the original costs. The total December 31, 2015 balance of business-type capital assets includes approximately 60% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost.

Infrastructure Assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980 were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as “Improvements Other than Buildings”.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund’s Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

| | <i>Capitalization Threshold</i> | <i>Depreciation Method</i> | <i>Estimated Useful Life</i> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land | All | -- * | -- |
| Buildings | \$50,000 | straight-line | 20-100 years |
| Improvements | \$25,000 | straight-line | 15-50 years |
| Machinery and equipment | \$5,000 | straight-line | 4-20 years |

*Land is an inexhaustible capital asset and is not depreciated.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

f. *Capital Assets: (continued)*

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. *Long-term Liabilities:*

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences, other post-employment benefits, revenue bonds and capital leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. *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.

i. *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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

j. *Deferred Inflows of Resources:*

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

k. *Cash and Cash Equivalents:*

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

l. *Equity Classifications:*

Government-wide Financial Statements:

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

1. Net Investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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.
3. Unrestricted Net Position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “Nonspendable,” “Restricted,” “Committed,” “Assigned,” and “Unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

m. *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 positions are available.

n. *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 they are 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. **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are not considered restricted. Fund Balance may be assigned by the Finance Officer.
4. **Unassigned** – includes positive fund balances within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.
- Amount legally or contractually required to be maintained intact such as vested balance of liability insurance premiums with South Dakota Public Assurance Alliance.
- Amount not in cash form such as long-term portion of notes receivable.

The City uses restricted 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 assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Park Fund – charges for goods and services.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

n. *Fund Balance Classification Policies and Procedures: (continued)*

A schedule of fund balances is provided as follows:

| | <u>General Fund</u> | <u>Park Fund</u> | <u>Other Governmental Funds</u> |
|-------------------------------|----------------------|-------------------|---|
| <i>Non-spendable:</i> | | | |
| Inventory | \$ 491,499 | \$ 40,089 | \$ 4,279 |
| Deposits | 226,377 | -- | -- |
| Note receivable | 500,000 | -- | -- |
| | <u>1,217,876</u> | <u>40,089</u> | <u>4,279</u> |
| <i>Restricted for:</i> | | | |
| Debt service | 2,386,919 | -- | 280,403 |
| Parks and recreation | -- | 199,343 | -- |
| Economic development | -- | -- | 159,220 |
| Public safety | -- | -- | 349,227 |
| Health and welfare | -- | -- | 1,097,661 |
| Community projects | -- | -- | 5,558,880 |
| Library | -- | -- | 42,864 |
| | <u>2,386,919</u> | <u>199,343</u> | <u>7,488,255</u> |
| <i>Assigned to:</i> | | | |
| Applied to Next Year's Budget | 1,960,386 | -- | 289,128 |
| Fire and EMS equipment | 461,635 | -- | -- |
| Cash flow reserves | 180,000 | -- | -- |
| Community projects | 485,000 | -- | 127,943 |
| | <u>3,087,021</u> | <u>--</u> | <u>417,071</u> |
| <i>Unassigned:</i> | <u>3,631,618</u> | <u>--</u> | <u>--</u> |
| <i>Total Fund Balance</i> | <u>\$ 10,323,434</u> | <u>\$ 239,432</u> | <u>\$ 7,909,605</u> |

o. *Pensions:*

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

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

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

Deposits:

The City'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% 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, SDLC 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
- c. 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

2. *DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK: (continued)*

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.

As of December 31, 2015 the City had the following investments:

| <u>Investment</u> | <u>Credit Rating</u> | <u>Maturities</u> | <u>Fair Value</u> |
|---|----------------------|-------------------|--------------------------|
| <u>Mutual Funds:</u> | | | |
| US Government Money Market Fund | Not Rated | N/A | <u>\$ 705,087</u> |
| <i>Total Investments - Primary Government</i> | | | <u><u>\$ 705,087</u></u> |

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

Other items classified as investments are certificates of deposit having a maturity of over 90 days from the date of acquisition.

Custodial Credit Risk – Deposits:

The risk that, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2015 the City’s deposits in financial institutions were exposed to custodial credit risk as follows:

| <u>Depository Name</u> | <u>% Under- collateralized</u> | <u>At-Risk Amount</u> |
|------------------------|------------------------------------|---------------------------|
| CorTrust Bank | 1.36% | <u><u>\$ 2,043</u></u> |

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.

Concentration of Credit Risk:

The City places no limit on the amount that may be invested in any one issuer.

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 MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

3. RESTRICTED CASH AND INVESTMENTS:

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

| <i>Amount</i> | <i>Purpose</i> |
|---------------|--|
| \$ 2,414,859 | For debt service, by debt covenants |
| \$ 367,692 | For capital asset construction |
| \$ 929,761 | For landfill closure and post-closure care costs |
| \$ 226,377 | For risk pool capitalization contribution |

4. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

5. INVENTORY:

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

6. DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources represent unavailable revenue as follows:

| | <i>General Fund</i> | <i>Other Governmental Funds</i> |
|---------------------|---------------------|---|
| Sales tax | \$ 1,071,985 | \$ 55,876 |
| Property tax | 46,273 | -- |
| Special assessments | 22,500 | 45,101 |
| | \$ 1,140,758 | \$ 100,977 |

7. 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 the following 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.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the year ended December 31, 2015 is as follows:

| | <u>Balance 1/01/15</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/15</u> |
|---|----------------------------|---------------------|-----------------------|-----------------------------|
| <i>Governmental Activities:</i> | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 4,502,052 | \$ -- | \$ -- | \$ 4,502,052 |
| Construction in progress | 3,919,678 | 643,574 | (3,878,723) | 684,529 |
| <i>Total, not being depreciated</i> | <u>8,421,730</u> | <u>643,574</u> | <u>(3,878,723)</u> | <u>5,186,581</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 17,692,246 | 2,283,071 | -- | 19,975,317 |
| Improvements | 25,839,388 | 2,728,009 | -- | 28,567,397 |
| Machinery and equipment | 14,155,607 | 467,338 | (85,532) | 14,537,413 |
| <i>Total, being depreciated</i> | <u>57,687,241</u> | <u>5,478,418</u> | <u>(85,532)</u> | <u>63,080,127</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | 4,029,077 | 325,318 | -- | 4,354,395 |
| Improvements | 5,443,324 | 505,672 | -- | 5,948,996 |
| Machinery and equipment | 9,090,852 | 676,740 | (85,532) | 9,682,060 |
| <i>Total accumulated depreciation</i> | <u>18,563,253</u> | <u>1,507,730</u> | <u>(85,532)</u> | <u>19,985,451</u> |
| <i>Governmental Activity</i> | | | | |
| <i>Capital Assets, Net</i> | <u>\$ 47,545,718</u> | <u>\$ 4,614,262</u> | <u>\$ (3,878,723)</u> | <u>\$ 48,281,257</u> |

Depreciation expense was charged to functions as follows:

| | |
|---|---------------------|
| General government | \$ 37,725 |
| Public safety | 247,614 |
| Public works | 457,245 |
| Health and welfare | 114,290 |
| Culture and recreation | <u>650,856</u> |
| <i>Total Depreciation Expense - Governmental Activities</i> | <u>\$ 1,507,730</u> |

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. CHANGES IN CAPITAL ASSETS: (continued)

| | <u>Balance 1/01/15</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/2015</u> |
|---|----------------------------|---------------------|---------------------|-------------------------------|
| <i>Business-Type Activities:</i> | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 1,112,727 | \$ -- | \$ -- | \$ 1,112,727 |
| Construction in progress | 3,068,180 | 3,310,234 | -- | 6,378,414 |
| <i>Total, not being depreciated</i> | <u>4,180,907</u> | <u>3,310,234</u> | <u>--</u> | <u>7,491,141</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 18,858,726 | -- | -- | 18,858,726 |
| Improvements | 56,083,869 | 953,105 | -- | 57,036,974 |
| Intangible assets | 2,500 | -- | -- | 2,500 |
| Machinery and equipment | 13,884,523 | 445,197 | (675,357) | 13,654,363 |
| <i>Total, being depreciated</i> | <u>88,829,618</u> | <u>1,398,302</u> | <u>(675,357)</u> | <u>89,552,563</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings | 6,662,533 | 359,600 | -- | 7,022,133 |
| Improvements | 20,833,796 | 1,125,517 | -- | 21,959,313 |
| Machinery and equipment | 8,372,331 | 443,674 | (29,750) | 8,786,255 |
| <i>Total accumulated depreciation</i> | <u>35,868,660</u> | <u>1,928,791</u> | <u>(29,750)</u> | <u>37,767,701</u> |
| <i>Business-Type Activities</i> | | | | |
| <i>Capital Assets, Net</i> | <u>\$ 57,141,865</u> | <u>\$ 2,779,745</u> | <u>\$ (645,607)</u> | <u>\$ 59,276,003</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Water | \$ 703,475 |
| Sewer | 369,235 |
| Airport | 464,427 |
| Sanitation | 228,734 |
| Corn Palace | 89,712 |
| Golf | 73,208 |
| <i>Total Depreciation Expense - Business-Type Activities</i> | <u>\$ 1,928,791</u> |

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. *CHANGES IN CAPITAL ASSETS: (continued)*

Construction work in progress at December 31, 2015 is composed of the following:

| <i>Project Name</i> | <i>Project Authorization</i> | <i>thru 12/31/2015</i> | <i>Committed</i> |
|---|----------------------------------|----------------------------|-------------------|
| City Hall construction | \$ 203,000 | \$ 40,954 | \$ 162,046 |
| Corn Palace renovation | 4,435,950 | 4,772,045 | -- |
| Landfill Cell #3 | 1,089,417 | 1,044,490 | 44,927 |
| Miscellaneous smaller construction projects: | | | |
| Refuse transfer building and scale | -- | 154,966 | -- |
| 5th Street STIP | -- | 20,778 | -- |
| Airport maintenance parking lot | -- | 48,595 | -- |
| Bike path Phase III | -- | 95,883 | -- |
| Cold storage building - street department | -- | 118,545 | -- |
| North Ohlman bike path | -- | 20,420 | -- |
| West end bridge | -- | 270,416 | -- |
| Williams Ave street project | -- | 7,742 | -- |
| Lake Mitchell fishing pier | -- | 5,875 | -- |
| West end boat dock | -- | 55,321 | -- |
| Forcemain improvement | -- | 374,913 | -- |
| W W service pumps & controls | -- | 32,000 | -- |
| | <u>\$ 5,728,367</u> | <u>\$ 7,062,943</u> | <u>\$ 206,973</u> |

*CHANGES IN CAPITAL ASSETS: (continued CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

9. *CHANGES IN COMPONENT UNIT CAPITAL ASSETS:*

A summary of changes in component unit capital assets for the year ended June 30, 2015 is as follows:

| | <i>Balance 6/30/14</i> | <i>Increases</i> | <i>Decreases</i> | <i>Balance 6/30/15</i> |
|---|----------------------------|---------------------|------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 20,239 | \$ -- | \$ -- | \$ 20,239 |
| Capital assets, being depreciated: | | | | |
| Buildings | 5,561,141 | -- | -- | 5,561,141 |
| Machinery and equipment | 318,344 | 1,295 | -- | 319,639 |
| Total, being depreciated | <u>5,879,485</u> | <u>1,295</u> | <u>--</u> | <u>5,880,780</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,238,686 | 144,173 | -- | 4,382,859 |
| Machinery and equipment | 281,014 | 21,145 | -- | 302,159 |
| Total accumulated depreciation | <u>4,519,700</u> | <u>165,318</u> | <u>--</u> | <u>4,685,018</u> |
| <i>Component Unit Capital Assets</i> | | | | |
| <i>Net</i> | <u>\$ 1,380,024</u> | <u>\$ (164,023)</u> | <u>\$ --</u> | <u>\$ 1,216,001</u> |

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. LONG-TERM DEBT:

A summary of changes in long-term debt follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|-----------------------|---------------------------|--------------------------------|
| <i>Primary Government</i> | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| Bonds Payable: | | | | | |
| Revenue | \$ 24,888,843 | \$ -- | \$ (1,637,165) | \$ 23,251,678 | \$ 1,630,500 |
| Leases | 1,511,954 | -- | (274,422) | 1,237,532 | 287,700 |
| <i>Total Debt</i> | <u>26,400,797</u> | <u>--</u> | <u>(1,911,587)</u> | <u>24,489,210</u> | <u>1,918,200</u> |
| Accrued Compensated Absences | 741,339 | -- | (21,339) | 720,000 | 120,000 |
| <i>Total Governmental Activities</i> | <u>\$ 27,142,136</u> | <u>\$ --</u> | <u>\$ (1,932,926)</u> | <u>\$ 25,209,210</u> | <u>\$ 2,038,200</u> |
| <i>Business-type Activities:</i> | | | | | |
| Bonds Payable: | | | | | |
| Revenue | \$ 6,455,025 | \$ -- | \$ (410,346) | \$ 6,044,679 | \$ 423,841 |
| Leases | 297,635 | -- | (56,534) | 241,101 | 57,992 |
| <i>Total Debt</i> | <u>6,752,660</u> | <u>--</u> | <u>(466,880)</u> | <u>6,285,780</u> | <u>481,833</u> |
| Accrued Compensated Absences | 122,676 | 7,315 | -- | 129,991 | 30,496 |
| <i>Total Business-type Activities</i> | <u>\$ 6,875,336</u> | <u>\$ 7,315</u> | <u>\$ (466,880)</u> | <u>\$ 6,415,771</u> | <u>\$ 512,329</u> |
| <i>Component Unit (as of June 30):</i> | | | | | |
| Accrued Compensated Absences | <u>\$ 6,109</u> | <u>\$ 2,986</u> | <u>\$ --</u> | <u>\$ 9,095</u> | <u>\$ 4,707</u> |

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. LONG-TERM DEBT: (continued)

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

Revenue Bonds:

| | | |
|---|--|--------------|
| Series 2009 Refunding Sales Tax Revenue Bonds | 2% - 4% depending on length to maturity or individual bonds; bond matures and final principal payment due December 1, 2020. | \$ 3,510,000 |
| Series 2012 Sales Tax Revenue Bonds | 1.5% - 3.9% depending on length to maturity of individual bonds; bond matures and final principal payment due December 1, 2032. This debt is serviced by the General Fund. | 10,000,000 |
| Series 2013 Sales Tax Revenue Bonds | .7% - 1.5% depending on length to maturity; bond matures and final payment due December 1, 2019. This debt is serviced by the General Fund. | 2,110,000 |
| Series 2010 TIF No. 13 Bonds | 5.0%; bond matures and final principal payment due December 1, 2029. This debt is serviced by the applicable TIF debt service fund. | 296,453 |
| Series 2005 TIF No. 5 Bonds | 6%; bond matures and final principal payment due June 15, 2025. This debt is serviced by the applicable TIF debt service fund. | 103,656 |
| Series 2007 TIF No. 9 Bonds | 7.75%; bond matures and final principal payment due June 1, 2027. This debt is serviced by the applicable TIF debt service fund. | 497,266 |
| Series 2007 TIF No. 8 Bonds | 7.25%; bond matures and final principal payment due June 1, 2026. This debt is serviced by the applicable TIF debt service fund. | 1,518,324 |
| Series 2008 TIF No. 10 Bonds | 5.49%; bond matures and final principal payment due November 1, 2028. This debt is serviced by the applicable TIF debt service fund. | 747,290 |
| Note Payable TIF No. 8; Subordinated to Series 2007 TIF No. 8 Bonds above | 7.25%; due in 2014, but no later than December 31, 2027. This debt is serviced by the applicable TIF debt service fund. | 100,000 |

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

10. *LONG-TERM DEBT: (continued)*

Revenue Bonds: (continued)

| | | |
|----------------------------------|---|-------------------|
| Series 2010 TIF No. 14 | Draws on revenue bonds. Final loan will be for \$520,164. The exact terms of repayment have not been determined yet, but the maturity will be 2029 with an interest rate of 5%. The loan will be serviced by the applicable TIF debt service fund. | \$ 458,271 |
| Series 2005 TIF No. 7 Bonds | Draws on tax increment revenue bonds. The final loan will be for \$3,371,514. The exact terms of repayment have not been determined yet, but the estimated maturity will be 2020 with an interest rate of 3.25%. The loan will be serviced by the applicable TIF debt service fund. | 1,402,191 |
| Series 2011 TIF No. 15 Bonds | 7%; Terms are for semi-annual payments of \$16,250, matures December 1, 2021. This debt is serviced by the applicable TIF debt service fund. | 321,504 |
| TIF No.'s 17, 18, 19, 20 & 21 | The exact terms of repayment have not been determined yet, but the estimated maturity will be 2033. The loan will be repaid by the applicable TIF debt service funds. | 2,186,723 |
| 2009 State Revolving Fund Loan | 2%; Payable in quarterly installments of \$23,316; matures July 15, 2029. This debt is being repaid by the Sewer Fund. | 1,223,215 |
| 2002 State Revolving Fund Loan | 4.0%; payable in quarterly installments of \$50,909; matures April 1, 2024. This debt is being repaid by the Water Fund. | 1,490,663 |
| 2005 Regional Landfill Fund Loan | 3.0%; payable in semi-annual installment of \$14,317; matures December 1, 2026. This debt is being repaid by the Sanitation Fund. | 266,603 |
| 2004 Regional Landfill Fund Loan | 3.0%; payable in semi-annual payments of \$13,622; matures June 1, 2025. This debt is being repaid by the Sanitation Fund. | 223,755 |
| 2010 State Revolving Fund Loan | 3.0%; payable in quarterly installments of \$27,734; matures January 1, 2032. This debt is being repaid by the Water Fund. | 1,422,628 |
| 2010 "Borrower Bond" | 2.0%; payable in quarterly installments of \$2,296; matures July 15, 2031. This debt is being repaid by the Water Fund. | 123,830 |
| 2004 State Revolving Fund Loan | 3.50%; payable in quarterly installments of \$23,071; matures October 1, 2025. This debt is being repaid by the Sanitation Fund. | 775,827 |
| 2013 State Revolving Fund Loan | 3.0%; payable in quarterly installments of \$9,058; matures August 15, 2034. This debt is being repaid by the Sewer Fund. | 518,158 |
| <i>Total Revenue Bonds</i> | | <u>29,296,357</u> |

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

10. LONG-TERM DEBT: (continued)

Financing (Capital Acquisition) Leases:

| | | |
|---|---|--------------|
| 2005 Hitchcock Park Swim Pool Annual Appropriations Capital Lease | 4.797%; due in semi-annual installments of \$171,849; matures December 31, 2019. This debt is being repaid by the General Fund. | \$ 1,237,532 |
|---|---|--------------|

The purchase price at the commencement of the financing (capital acquisition) lease was:

| | |
|-----------|----------------------------|
| Principal | \$ 3,650,000 |
| Interest | <u>1,505,475</u> |
| | <u><u>\$ 5,155,475</u></u> |

| | | |
|--------------|---|----------------|
| Sewer Vacuum | 2.55%; payable in annual installments of \$64,213; matures March 27, 2019. this debt is being repaid by the Sewer Fund. | <u>241,101</u> |
|--------------|---|----------------|

The purchase price at the commencement of the financing (capital acquisition) lease was:

| | |
|-----------|--------------------------|
| Principal | \$ 297,635 |
| Interest | <u>23,428</u> |
| | <u><u>\$ 321,063</u></u> |

| | |
|---|------------------|
| <i>Total Financing (Capital Acquisition) Leases</i> | <u>1,478,633</u> |
|---|------------------|

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the estimated useful-life of the asset.

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2015. The compensated absences in the Governmental Activities are currently paid from the General Fund and Park Fund.

849,991

| | |
|-------------------------------------|--------------|
| Component Unit Compensated Absences | <u>9,095</u> |
|-------------------------------------|--------------|

| | |
|--------------------|-----------------------------|
| <i>Grand Total</i> | <u><u>\$ 31,634,076</u></u> |
|--------------------|-----------------------------|

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

10. LONG-TERM DEBT: (continued)

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

| <i>Year Ending December 31,</i> | <i>Revenue</i> | | <i>Capital Lease</i> | | <i>Total</i> | |
|-------------------------------------|----------------------|---------------------|----------------------|-------------------|----------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> |
| 2016 | \$ 2,054,364 | \$ 992,699 | \$ 345,736 | \$ 62,174 | \$ 2,400,100 | \$ 1,054,873 |
| 2017 | 2,127,708 | 916,555 | 361,200 | 46,710 | 2,488,908 | 963,265 |
| 2018 | 2,198,169 | 846,718 | 377,382 | 30,528 | 2,575,551 | 877,246 |
| 2019 | 2,275,872 | 771,074 | 394,315 | 13,597 | 2,670,187 | 784,671 |
| 2020 | 2,476,964 | 716,223 | -- | -- | 2,476,964 | 716,223 |
| 2021-2025 | 8,402,931 | 2,501,196 | -- | -- | 8,402,931 | 2,501,196 |
| 2026-2030 | 6,198,666 | 714,101 | -- | -- | 6,198,666 | 714,101 |
| 2031-2033 | 2,391,565 | 99,205 | -- | -- | 2,391,565 | 99,205 |
| TOTALS | \$ 28,126,239 | \$ 7,557,771 | \$ 1,478,633 | \$ 153,009 | \$ 29,604,872 | \$ 7,710,780 |

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances at December 31, 2015 were:

| | <u><i>Interfund Receivables</i></u> | <u><i>Interfund Payables</i></u> |
|----------------------------|---|--------------------------------------|
| Governmental Funds: | | |
| General Fund | \$ 175,000 | \$ -- |
| Highland Fund | -- | 25,000 |
| Enterprise Funds: | | |
| Sewer Fund | -- | 75,000 |
| Golf Fund | -- | 75,000 |
| | <u>\$ 175,000</u> | <u>\$ 175,000</u> |

The purpose of the interfund receivable and payable balances is loans made to temporarily fund operations of the funds receiving the loans.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. INTERFUND TRANSFERS:

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

| | <i>In</i> | <i>Out</i> |
|--------------------------------|--------------|--------------|
| General Fund | \$ 700,000 | \$ 4,177,607 |
| Special Revenue Funds: | | |
| Park | 2,015,000 | -- |
| Entertainment tax | -- | 385,337 |
| E-911 | 300,106 | -- |
| RSVP | 60,000 | -- |
| Other governmental | -- | -- |
| Capital Projects Funds: | | |
| Indoor pool | 5,539,280 | -- |
| Library renovation | -- | 13,027 |
| MAC addition | -- | 114,294 |
| City Hall | -- | 3,180,275 |
| Internal Service Fund | 200,000 | -- |
| Enterprise Funds: | | |
| Water | -- | 300,000 |
| Sewer | -- | 300,000 |
| Sanitation | -- | 100,000 |
| Corn Palace | 785,337 | 1,029,183 |
| Total | \$ 9,599,723 | \$ 9,599,723 |

The City typically budgets transfers to the General Fund, Park Fund, E-911 Fund, RSVP Fund and Corn Palace Fund to conduct the indispensable functions of the City.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

13. PRIOR PERIOD ADJUSTMENTS:

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated the related net pension asset and deferred outflows of resources as of January 1, 2015 as follows:

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> |
|--|------------------------------------|-------------------------------------|
| Net Position, January 1, 2015 as previously reported | \$ 35,670,663 | \$ 59,211,141 |
| Restatement for pension accounting: | | |
| Net pension asset | 3,038,835 | 634,989 |
| Pension related deferred outflows of resources | 2,468,879 | 515,893 |
| Pension related deferred inflows of resources | (3,519,483) | (735,425) |
| Net Position, January 1, 2015 as restated | \$ 37,658,894 | \$ 59,626,598 |

| | <i>Water Fund</i> | <i>Sewer Fund</i> | <i>Airport Fund</i> | <i>Sanitation Fund</i> | <i>Corn Palace Fund</i> | <i>Golf Fund</i> | <i>Total</i> |
|--|-------------------|-------------------|---------------------|----------------------------|-----------------------------|------------------|---------------|
| Net Position, January 1, 2015 as previously reported | \$ 25,736,492 | \$ 10,135,754 | \$ 7,750,735 | \$ 5,758,810 | \$ 8,924,321 | \$ 905,029 | \$ 59,211,141 |
| Restatement for pension accounting: | | | | | | | |
| Net pension asset | 122,699 | 117,493 | 23,205 | 180,144 | 144,693 | 46,755 | 634,989 |
| Pension related deferred outflows of resources | 99,686 | 95,456 | 18,853 | 146,357 | 117,555 | 37,986 | 515,893 |
| Pension related deferred inflows of resources | (142,106) | (136,077) | (26,875) | (208,637) | (167,579) | (54,151) | (735,425) |
| Net Position, January 1, 2015 as restated | \$ 25,816,771 | \$ 10,212,626 | \$ 7,765,918 | \$ 5,876,674 | \$ 9,018,990 | \$ 935,619 | \$ 59,626,598 |

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

14. *PENSION 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 supplemental information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> 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 at 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 the 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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

14. *PENSION PLAN: (continued)*

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 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 \$555,952, \$541,366, and \$534,087, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

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 this measurement period and reported by the City as of December 31, 2015 are as follows:

| | |
|---|-----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 54,693,010 |
| Less proportionate share of total pension liability | <u>52,538,211</u> |
| Proportionate share of net pension liability (asset) | <u>\$ (2,154,799)</u> |

At December 31, 2015, the City reported a liability (asset) of (\$2,154,799) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was .5075195%, which is a decrease of .0024088% from its proportion measured as of June 30, 2014.

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. PENSION PLAN: (continued)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: (continued)

For the year ended December 31, 2015, the City recognized pension expense (revenue) of (\$326,140). At December 31, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|--|---|--|
| Difference between expected and actual experience | \$ 440,741 | \$ -- |
| Changes in assumption | 1,714,614 | -- |
| Net Difference between projected and actual earnings on pension plan investments | 1,314,947 | 3,176,107 |
| Changes in proportion and difference between City contributions and proportionate share of contributions | -- | -- |
| City contributions subsequent to the measurement date | 280,834 | -- |
| | \$ 3,751,136 | \$ 3,176,107 |

\$280,834 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| <i>Year Ended December 31:</i> | |
|------------------------------------|-------------------|
| 2016 | \$ 101,997 |
| 2017 | 101,997 |
| 2018 | (274,399) |
| 2019 | 364,600 |
| | \$ 294,195 |

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

14. *PENSION PLAN: (continued)*

Actuarial Assumptions:

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

| | |
|---------------------------|---|
| Inflation | 3.25 percent |
| Salary increases | 5.83 percent at entry to 3.87 percent after 30 years of service |
| Investment rate of return | 7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense |

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <i>Asset Class</i> | <i>Target Allocation</i> | <i>Long-Term Expected Real Rate of Return</i> |
|--------------------|------------------------------|---|
| Global equity | 61.0% | 4.5% |
| Fixed income | 27.0% | 1.8% |
| Real estate | 10.0% | 5.2% |
| Cash | 2.0% | 0.8% |
| <i>Total</i> | <u>100%</u> | |

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

14. *PENSION PLAN: (continued)*

Discount Rate:

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

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| City's proportionate share of the net pension liability (asset) | \$ 5,417,907 | \$ (2,152,535) | \$ (8,325,579) |

Pension Plan Fiduciary Net Position:

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

CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN:

Plan Description:

The City of Mitchell's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan administered by the City. The City of Mitchell's Postemployment Health Care Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the governing board. An employee who retires from the City's fire or police department on or after the age of 45 years old and with at least 3 years of service with the City, may be eligible for retiree health insurance coverage. All other City retirees must be at least 55 years of old and have at least 3 years of service with the City. Coverage ceases when the retiree attains the age of 65 or becomes eligible for Medicare except for COBRA continuation if elected. The retiree is responsible for 100% of the retired employee premium rates for either single or spousal/dependent coverage (pay-as-you-go basis).

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the financial components of the plan:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|-------------------|
| Annual required contribution | \$ 43,232 | \$ 22,524 | \$ 17,867 |
| Interest on net OPEB obligation | 10,966 | 8,042 | 6,578 |
| Adjustment to ARC | <u>(14,961)</u> | <u>--</u> | <u>--</u> |
| Annual OPEB Cost | 39,237 | 30,566 | 24,445 |
| Contribution made | <u>(8,670)</u> | <u>--</u> | <u>--</u> |
| Increase in net OPEB obligation | 30,567 | 30,566 | 24,445 |
| Net OPEB Obligation, Beginning of Year | <u>274,262</u> | <u>243,696</u> | <u>219,251</u> |
| Net OPEB Obligation, End of Year | <u>\$ 304,829</u> | <u>\$ 274,262</u> | <u>\$ 243,696</u> |

Funded Status:

The Plan is on a "pay-as-you-go" basis, therefore it is not funded as of December 31, 2015.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

15. OTHER POSTEMPLOYMENT BENEFITS - HEALTHCARE PLAN: (continued)

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.50% rate of return and an annual healthcare cost trend rate of six percent initially, reduced by decrements to an ultimate rate of five percent after three years. Both rates include a three percent inflation adjustment. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was thirty years.

16. RISK MANAGEMENT:

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

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$60,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the Plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2015 were as follows:

| | | |
|--|----|-----------------------|
| Benefit claims payable, at the beginning of year | \$ | 235,875 |
| Employees' health and related benefits incurred attributable to insured events of the current year | | 2,580,466 |
| Employee health and related benefits paid | | <u>(2,492,384)</u> |
| Benefit claims payable, at the end of year | \$ | <u><u>323,957</u></u> |

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

16. *RISK MANAGEMENT: (continued)*

Workers' Compensation:

The City joined the South Dakota Municipal League Workers' 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 workers' 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 workers' compensation claims. The City pays an annual premium to provide workers' 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.

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 and to 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 automobile and general liability.

**CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

16. RISK MANAGEMENT: (continued)

Liability Insurance: (continued)

The agreement with the SDPAA provides that the above coverages will be provided to a \$3,000,000 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 City's first full year | 50% |
| End of City's second full year | 60% |
| End of City's third full year | 70% |
| End of City's fourth full year | 80% |
| End of City's fifth full year | 90% |
| End of City's sixth full year | 100% |

As of December 31, 2015 the City has a vested balance in the cumulative reserve fund of \$226,377.

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.

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.

*CITY OF MITCHELL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015*

17. LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$873,144 reported as landfill closure and post-closure care liability at December 31, 2015 represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the old landfill which was closed in 2005 and 21% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,530,191 as the remaining estimated capacity is filled. This landfill has an estimated remaining live of 41 years as of December 31, 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$929,761 to this trust as of December 31, 2015.

18. 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 series of conduit bonds outstanding with an aggregate unpaid principal amount was \$1,140,000.

19. SIGNIFICANT CONTINGENCIES - LITIGATION:

At December 31, 2015, the City was involved in several 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 the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of these lawsuits.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| Taxes: | | | | |
| General property taxes | \$ 4,664,051 | \$ 4,664,051 | \$ 4,688,864 | \$ 24,813 |
| General sales taxes | 10,920,000 | 10,920,000 | 11,295,421 | 375,421 |
| Gross receipts taxes | 190,000 | 190,000 | 186,784 | (3,216) |
| Amusement taxes | 2,000 | 2,000 | 1,680 | (320) |
| Penalties and interest on taxes | 8,000 | 8,000 | 10,316 | 2,316 |
| Licenses and permits | 194,000 | 194,000 | 216,634 | 22,634 |
| Intergovernmental Revenue: | | | | |
| Federal grants | 39,103 | 249,912 | 231,741 | (18,171) |
| State grants | -- | 732,601 | 732,601 | -- |
| State shared revenues | 651,000 | 651,000 | 725,038 | 74,038 |
| County shared revenues | 500 | 500 | 498 | (2) |
| Other | 7,800 | 7,800 | 25,215 | 17,415 |
| Charges for Goods or Services: | | | | |
| General government | 8,200 | 8,200 | 7,631 | (569) |
| Public safety | 98,999 | 98,999 | 85,889 | (13,110) |
| Highways and streets | 8,000 | 8,000 | 5,590 | (2,410) |
| Ambulance | 645,100 | 645,100 | 721,686 | 76,586 |
| Cemetery | 102,000 | 102,000 | 98,293 | (3,707) |
| Fines and Forfeits: | | | | |
| Court fines | 18,500 | 18,500 | 18,445 | (55) |
| Other fines | 4,000 | 4,000 | 5,337 | 1,337 |
| Miscellaneous Revenue: | | | | |
| Interest earned | 12,500 | 12,500 | 5,613 | (6,887) |
| Special assessments | 7,500 | 7,500 | 27,874 | 20,374 |
| Contributions from private sources | 110,000 | 110,000 | 93,275 | (16,725) |
| Other | 82,100 | 82,100 | 112,903 | 30,803 |
| TOTAL REVENUES | 17,773,353 | 18,716,763 | 19,297,328 | 580,565 |

*The accompanying Notes to Financial Statements are an
integral part of this statement.*

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>EXPENDITURES</u> | | | | |
| General Government: | | | | |
| Legislative | \$ 162,899 | \$ 194,724 | \$ 165,937 | \$ 28,787 |
| Contingency | 515,000 | 170,519 | -- | 170,519 |
| Executive | 177,538 | 217,038 | 207,357 | 9,681 |
| Elections | 7,000 | 7,000 | 7,131 | (131) |
| Financial administration | 1,058,020 | 1,065,020 | 1,023,850 | 41,170 |
| Other | 187,863 | 231,649 | 192,965 | 38,684 |
| Public Safety: | | | | |
| Police | 3,038,770 | 3,046,104 | 2,872,968 | 173,136 |
| Fire | 1,693,953 | 1,693,953 | 1,536,429 | 157,524 |
| Public Works: | | | | |
| Highways and streets | 3,141,471 | 3,154,971 | 2,456,189 | 698,782 |
| Cemeteries | 210,981 | 215,981 | 195,015 | 20,966 |
| Health and Welfare: | | | | |
| Health | 82,500 | 82,500 | 82,500 | -- |
| Humane society | 92,758 | 92,758 | 60,156 | 32,602 |
| Ambulance | 590,835 | 590,835 | 541,970 | 48,865 |
| Culture and Recreation: | | | | |
| Recreation | 170,700 | 192,700 | 187,880 | 4,820 |
| Liabraries | 637,157 | 637,157 | 543,428 | 93,729 |
| Conservation and Development: | | | | |
| Economic opportunity | 104,000 | 104,000 | 104,000 | -- |
| Debt Service | 2,004,287 | 2,005,737 | 2,012,726 | (6,989) |
| Capital Outlay | 1,934,176 | 2,797,450 | 2,008,126 | 789,324 |
| TOTAL EXPENDITURES | 15,809,908 | 16,500,096 | 14,198,627 | 2,301,469 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | 1,963,445 | 2,216,667 | 5,098,701 | 2,882,034 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers-in | 700,000 | 700,000 | 700,000 | -- |
| Transfers-out | (2,791,449) | (2,981,449) | (4,177,607) | (1,196,158) |
| Sale of City property | 15,000 | 15,000 | 12,584 | (2,416) |
| Net Change in Fund Balances | (113,004) | (49,782) | 1,633,678 | 1,683,460 |
| FUND BALANCE, Beginning of Year | 7,548,350 | 7,548,350 | 8,689,756 | 1,141,406 |
| FUND BALANCE, End of Year | \$ 7,435,346 | \$ 7,498,568 | \$ 10,323,434 | \$ 2,824,866 |

*The accompanying Notes to Financial Statements are an
integral part of this statement.*

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARK FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| <i>Revenue from Local Sources:</i> | | | | |
| Intergovernmental Revenue: | | | | |
| Federal grants | \$ 20,000 | \$ 29,262 | \$ 29,262 | \$ -- |
| Other | -- | 20,000 | -- | (20,000) |
| Charges for Goods or Services: | | | | |
| Culture and recreation | 773,250 | 773,250 | 808,004 | 34,754 |
| Miscellaneous Revenue: | | | | |
| Rentals | 5,000 | 5,000 | 6,000 | 1,000 |
| Contributions from private sources | 69,000 | 69,000 | 33,182 | (35,818) |
| Other | 2,000 | 2,000 | -- | (2,000) |
| TOTAL REVENUES | <u>869,250</u> | <u>898,512</u> | <u>876,448</u> | <u>(22,064)</u> |
| <u>EXPENDITURES</u> | | | | |
| Culture and Recreation: | | | | |
| Recreation | 1,684,342 | 1,716,925 | 1,582,870 | 134,055 |
| Parks | 867,711 | 900,211 | 835,828 | 64,383 |
| Capital Outlay | 522,300 | 616,109 | 483,449 | 132,660 |
| TOTAL EXPENDITURES | <u>3,074,353</u> | <u>3,233,245</u> | <u>2,902,147</u> | <u>331,098</u> |
| <i>Excess of Revenues Over (Under)</i> | | | | |
| Expenditures | (2,205,103) | (2,334,733) | (2,025,699) | 309,034 |
| <u>OTHER FINANCING SOURCES (USES):</u> | | | | |
| Transfers-in | 2,015,000 | 2,015,000 | 2,015,000 | -- |
| Sale of City property | -- | -- | 2,112 | 2,112 |
| Net Change in Fund Balances | <u>(190,103)</u> | <u>(319,733)</u> | <u>(8,587)</u> | <u>311,146</u> |
| FUND BALANCE, Beginning of Year | | | | |
| | 248,019 | 248,019 | 248,019 | -- |
| FUND BALANCE, End of Year | | | | |
| | <u>\$ 57,916</u> | <u>\$ (71,714)</u> | <u>\$ 239,432</u> | <u>\$ 311,146</u> |

*The accompanying Notes to Financial Statements are an
integral part of this statement.*

*CITY OF MITCHELL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

1. At the first regular board meeting in September of each year, or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

**CITY OF MITCHELL
 REQUIRED SUPPLEMENTAL INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS
 FUNDING PROGRESS
 DECEMBER 31, 2015**

Funded Status and Funding Progress

| | <u>Valuation Date January 1, 2015</u> | <u>Valuation Date January 1, 2014</u> | <u>Valuation Date January 1, 3013</u> |
|---|---|---|---|
| Actuarial Accrued Liability (AAL) | \$ 304,829 | \$ 256,550 | \$ 249,914 |
| Actuarial Value of Plan Assets | -- | -- | -- |
| Unfunded Actuarial Accrued Liability (UAAL) | 304,829 | 256,550 | 249,914 |
| Funded Ratio | 0.00% | 0.00% | 0.00% |
| Covered Payroll (active plan members) | 8,446,184 | 7,687,360 | 9,050,940 |
| UAAL as a Percentage of Covered Payroll | 3.61% | 3.34% | 2.76% |

*The accompanying Notes to Financial Statements are an
 integral part of this statement.*

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) (SDRS)
DECEMBER 31, 2015

| | 2015 |
|---|-----------------------|
| City's proportion of the net pension liability (asset) | 0.50% |
| City's proportionate share of net pension liability (asset) | \$ (2,154,799) |
| City's covered-employee payroll | \$ 8,446,184 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 25.51% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 104.10% |

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

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MITCHELL
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE MUNICIPALITY'S CONTRIBUTIONS (SDRS)
DECEMBER 31, 2015

| | <i>2014</i> | <i>2015</i> |
|---|---------------------|---------------------|
| Contractually required contribution | \$ 555,952 | \$ 541,366 |
| Contributions in relation to the contractually required contribution | 555,952 | 541,366 |
| Contribution deficiency (excess) | \$ -- | \$ -- |
| City's covered-employee payroll | \$ 8,446,184 | \$ 8,312,798 |
| Contributions as a percentage of covered-employee payroll | 6.58% | 6.51% |

The accompanying Notes to Financial Statements are an integral part of this statement.