

CITY OF NEWELL
NEWELL, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2014
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF NEWELL
NEWELL, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING DECEMBER 31, 2014

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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Governing Board
City of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Newell (City), Butte County, South Dakota, as of December 31, 2014 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Newell, South Dakota,

as of December 31, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in note 1c to these financial statements.

Basis of Accounting

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

Other Matters - Other Supplementary Information (Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Newell's financial statements.

The schedule of changes in long-term debt (page 37) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term debt is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the schedule of changes in long-term debt is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Matters - Other Supplementary Information (No Opinion)

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Newell's financial statements.

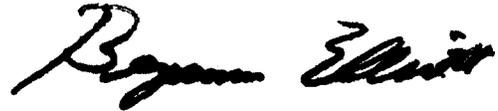
The management's discussion and analysis (page 4 to 9) and the budgetary comparison schedules (page 33 to 36) are presented for purposes of additional analysis and are not a required part of the modified cash basis of accounting financial statements.

I have applied certain limited procedures to this supplementary 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 formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 38) dated April 12, 2016 on my tests of City of Newell's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large initial "B" and a stylized "E".

April 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the City of Newell's (City) financial performance provides an overview of the City's financial activities for the two years ending December 31, 2014, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS	2014	2013
Receipts:		
Charges for goods and services	794,257	794,189
Operating grants	12,024	3,113
Capital grants	72,167	103,343
SRF loan proceeds	28,800	57,807
General receipts	438,220	397,921
	-----	-----
Total	1,345,468	1,356,373
	-----	-----
Disbursements:		
Governmental	461,230	447,231
Business-type	726,958	805,444
	-----	-----
Total	1,188,188	1,252,675
	-----	-----
Increase in Net Position	157,280	103,698
Net Position:		
December 31, 2012		1,181,304

December 31, 2013	1,285,002	1,285,002
	-----	=====
December 31, 2014	1,442,282	
	=====	
Governmental Funds:		
General	1,025,056	861,023
Library Memorial	9,774	9,681
Perpetual Care	58,341	56,706
Business-Type Funds:		
Liquor	56,187	105,980
Water	170,533	141,831
Sewer	109,851	103,944
Irrigation	12,540	5,837
	-----	-----
Total	1,442,282	1,285,002
	=====	=====

During 2014 the City:

- * Borrowed the \$76,802 from an SRF loan, of which \$48,002 was forgiven, for water improvements.
- * Made principal payments of \$1,596 on the City's 2009 water project bond.
- * Made principal payments of \$9,638 on the City's 2010 water project bond.
- * Purchased a snow pusher for \$5,255.
- * Purchased a library books for \$4,554.
- * Purchased a 2005 Dodge RAM 2500 pick-up for \$13,400.
- * Made various water improvements for \$14,846.
- * Replaced water meters for \$63,956.
- * Transferred \$45,000 from the liquor fund to the general fund for operations.

During 2013 the City:

- * Borrowed the \$154,150 from an SRF loan, of which \$96,343 was forgiven, for water improvements.
- * Made principal payments of \$1,540 on the City's 2009 water project bond.
- * Made principal payments of \$9,424 on the City's 2010 water project bond.
- * Purchased a 2004 Ford F250 crew cab with snow plow for \$19,400.
- * Purchased a lawn mower for the Parks Department for \$8,000.
- * Purchased a library books for \$5,935.
- * Made various water improvements for \$17,623.
- * Replaced water meters for \$153,446.
- * Transferred \$45,000 from the liquor fund to the general fund for operations.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 4 to 9), (2) the basic financial statements (page 10 to 32) and (3) supplementary information (page 33 to 37). The basic financial statements include two types of statements that present the City from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental and enterprise activities of the City.

The governmental financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the City in 2013 and 2014 were the general, library memorial, museum memorial and cemetery perpetual care funds.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the City that operate like a business. Enterprise funds operated by the City in 2013 and 2014 were the liquor, water, sewer, and irrigation funds.

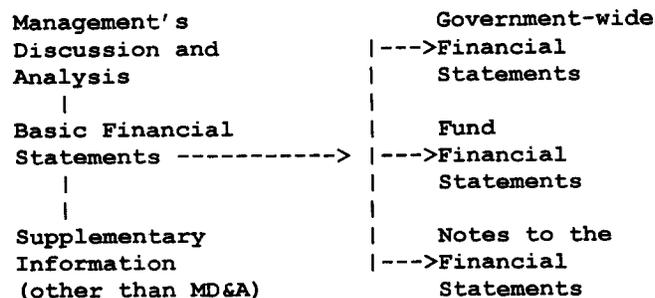
The fiduciary fund financial statements provide information about the financial status of activities in which the City acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. In 2013 and 2014 the City had one fiduciary (agency) fund for payroll withholding purposes.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of supplementary information that presents a budgetary analysis for the general fund and major special revenue funds.

Supplementary Information:

The Management's Discussion and Analysis (page 4 to 9) and the Budgetary Comparison Schedules and Schedule of Changes in Long-Term Debt (page 33 to 37) is supplementary financial information. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedule is presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the City's financial statements.



This is a summary of the major features of these financial statement.

	Government-wide	Fund Statements-----		
	Statements	Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire City (except fiduciary funds)	City Activities except Enterprise (ie: liquor) and Fiduciary	Activities operated like a private business (ie: liquor)	City's custody of money and property that belongs to others
Modified Cash Basis Financial Statements	Net Position Statement of Activities	Stmt. of Receipts Disbursements and Changes in Fund Balance	Stmt. of Receipts, Disbursements and Changes in Fund Net Position Stmt. of Cash Flows	None
Basis of Accounting	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Measurement Focus	Modified Cash	Modified Cash	Modified Cash	Modified Cash
Types of assets & Liabilities	Cash, CDs Investments	Cash, CDs, and Investments	Cash, CDs and Investments	Cash, CDs and Investments
Types of Receipts and Disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	Cash receipts Cash disbursements	None None

BASIS OF ACCOUNTING

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets are recorded when they result from cash transactions, except for the recording of investments (if any).

GOVERNMENT-WIDE STATEMENTS

The government-wide statements (page 10 to 12) report information about the City as a whole using cash accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's cash. The statement of activities includes all of the City's receipts and disbursements for a year.

The two government-wide statements report the City's net position and how it has changed. Net position is the City's petty cash, checking accounts, savings accounts, certificates of deposit, and money market accounts (if any). The change in these accounts is one way to measure the City's financial health. Increases or decreases in net position measures improvements or declines in the City's financial health. To assess the City's overall financial health you also need to consider other factors such as changes in the property tax base, and/or sales tax receipts generated from local businesses.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include basic services such as police and fire protection, maintenance of streets, and parks. Property taxes, sales taxes, and interest received finance most of these activities.

The business-type activities account for the City's liquor, water, sewer, and irrigation activities. These services are funded by user fees. Bonds and federal and state grants help pay for capital improvements to the water and sewer systems.

The City has no component units. These are organizations which, because the nature and significance of their relationship to the City, would make the City's financial statements incomplete or misleading if they were excluded from the City's financial statements.

FUND FINANCIAL STATEMENTS

The fund financial statements (page 13 to 21) provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools used to keep track of the City's receipts and disbursements. State law requires the use of some funds and the City Council establishes other funds to manage money for a specific purpose.

The fund financial statements show information in two broad categories: governmental and enterprise (business-type).

Governmental funds: Most of the City's basic services are included in the governmental funds, which focus on (1) how cash flows in and out of that fund, and (2) cash balances left at year-end which are available for spending in the next year. The governmental funds financial statements provide detail that helps you determine whether there is more or fewer cash resources available for spending in the near future to finance City programs.

Enterprise fund: Services for which the City charges the customer a fee are generally reported in enterprise funds. These funds account for cash and the receipt and disbursement of cash, the same as the governmental funds. The liquor, water, sewer, and irrigation funds are the only enterprise funds maintained by the City.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

For the Two Years Ending December 31, 2014

(Material changes for governmental activities = changes greater than \$30,000)

(Material changes for business-type activities = changes greater than \$40,000)

== 2014 ==	Increase (Decrease)	Reason
Governmental Activities:		
Cash	166,000	Excess receipts over disbursements.
Receipts from taxes	31,000	Increase in property and sales taxes.
Business-Type Activities:		
Capital grants	(48,000)	Water project completed in 2014.
Water operations	(110,000)	Water project completed in 2014.

== 2013 ==	Increase (Decrease)	Reason
Governmental Activities:		
Cash	112,000	Excess receipts over disbursements.
Business-Type Activities:		
Capital grants	96,000	For water project.
Water operations	151,000	Water project cost.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In 2014 the City's general fund budget of \$509,855 was an increase of \$14,717 or 2.97% from 2013. There was one supplemental appropriation of \$12,715 to the general fund's budget spread across several lines. See also page 33.

In 2013 the City's general fund budget of \$495,138 was an decrease of \$37,768 or 7.09% from 2012. There was one supplemental appropriation of \$12,750 to the general fund's budget spread across several lines. See also page 34.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset activity is reported above in "Financial Highlights."

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above in "Financial Highlights." See page 37 for more information.

CURRENTLY KNOWN FACTS

In January 2015 the Commission adopted the motion, "The Town of Newell supports a local option additional penny of municipal sales tax, with the approval of our voters, for specific infrastructure projects."

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Newell's finance office at 108 3rd Street, P.O. Box 405, Newell, SD 57760 or telephone us at 605.456.2737.

CITY OF NEWELL

TABLE 1 - NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS - MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2014, 2013 AND 2012

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Assets:									
Current assets (cash)	1,093	927	815	349	358	367	1,442	1,285	1,182
Total assets	1,093	927	815	349	358	367	1,442	1,285	1,182
Liabilities:									
None (cash basis)	0	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0	0	0	0
Net position:									
Restricted	50	50	50	23	23	23	73	73	73
Unrestricted	1,043	877	765	326	335	344	1,369	1,212	1,109
Total net position	1,093	927	815	349	358	367	1,442	1,285	1,182

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE THREE FISCAL YEARS ENDING DECEMBER 31, 2014

	Governmental Activities			Business-Type Activities			Total Government		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Receipts:									
Program receipts:									
Charges for services	111	107	88	683	687	693	794	794	781
Operating grants and contri.	12	3	15				12	3	15
Capital grants and contri.	24	7		48	96		72	103	0
General receipts:									
Receipts from taxes	371	340	322				371	340	322
Receipts from state sources	39	37	37				39	37	37
Receipts from county sources	4	4	7				4	4	7
Interest received	1	2	5	1		2	2	2	7
Other general receipts	15	14	22				15	14	22
Total receipts	577	514	496	732	783	695	1,309	1,297	1,191
Disbursements:									
General government	114	108	118				114	108	118
Public safety	57	57	68				57	57	68
Public works	209	202	215				209	202	215
Health and welfare	15	10					15	10	0
Culture and recreation	63	64	56				63	64	56
Economic development	3	6					3	6	0
Liquor				443	435	406	443	435	406
Water				212	322	171	212	322	171
Sewer				66	45	61	66	45	61
Irrigation				6	3		6	3	0
Total disbursements	461	447	457	727	805	638	1,188	1,252	1,095
Excess of receipts over (under) disbursements	116	67	39	5	(22)	57	121	45	96
Sale of surplus property	5			2			7	0	0
Loan proceeds				29	58	30	29	58	30
Transfers	45	45	48	(45)	(45)	(48)	0	0	0
Change in net position	166	112	87	(9)	(9)	39	157	103	126
Net position:									
December 31, 2011			728			328			1,056
December 31, 2012		815	815		367	367		1,182	1,182
December 31, 2013	927	927		358	358		1,285	1,285	
December 31, 2014	1,093			349			1,442		

CITY OF NEWELL

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 AS OF DECEMBER 31, 2014

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
		Activities	
ASSETS:			
Cash and cash equivalents	541,884	161,064	702,948
Cash - money market	79,532	153,430	232,962
Certificates of deposit	421,755	11,191	432,946
Restricted assets:			
Cash and cash equivalents	7,253	23,426	30,679
Certificates of deposit	42,747		42,747
Total assets	1,093,171	349,111	1,442,282
	=====	=====	=====
NET POSITION:			
Restricted for:			
Cemetery perpetual care	50,000		50,000
Debt service		23,426	23,426
Unrestricted	1,043,171	325,685	1,368,856
Total net position	1,093,171	349,111	1,442,282
	=====	=====	=====

See accompanying notes.

CITY OF NEWELL

STATEMENT OF ACTIVITIES

MODIFIED CASH BASIS

FOR THE YEAR ENDING DECEMBER 31, 2014

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	113,606	11,343			(102,263)		(102,263)
Public safety	57,591	15,806			(41,785)		(41,785)
Public works	209,104	82,976	1,600	24,165	(100,363)		(100,363)
Health and welfare	14,500	103	5,924		(8,473)		(8,473)
Culture and recreation	63,288	313	4,500		(58,475)		(58,475)
Economic development	3,141				(3,141)		(3,141)
Total governmental activities	461,230	110,541	12,024	24,165	(314,500)	0	(314,500)
Business-type activities:							
Liquor	442,705	437,767				(4,938)	(4,938)
Water	212,371	161,621		48,002	(2,748)		(2,748)
Sewer	65,542	71,285			5,743		5,743
Irrigation	6,340	13,043			6,703		6,703
Total business-type activities	726,958	683,716	0	48,002	0	4,760	4,760
Total primary government	1,188,188	794,257	12,024	72,167	(314,500)	4,760	(309,740)
General receipts:							
Taxes:							
Property taxes					153,636		153,636
Sales taxes					215,985		215,985
Gross receipts business tax					911		911
Amusement taxes					204		204
State shared receipts					39,397		39,397
County shared receipts					4,145		4,145
Interest received					1,204	858	2,062
Rents and franchise fees					7,545		7,545
Donations					4,996		4,996
Miscellaneous receipts					2,173		2,173
SRF DW#2 loan proceeds						28,800	28,800
Sale of surplus property					5,065	2,101	7,166
Transfers					45,000	(45,000)	0
Total general receipts and transfers					480,261	(13,241)	467,020
Change in net position					165,761	(8,481)	157,280
Net position:							
January 1, 2014					927,410	357,592	1,285,002
December 31, 2014					1,093,171	349,111	1,442,282

See accompanying notes.

CITY OF NEWELL

BALANCE SHEET -- MODIFIED CASH BASIS
 ALL GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2014

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Funds	Total
ASSETS:				
Cash and cash equivalents	530,809	2,734	8,341	541,884
Cash - money market	79,532			79,532
Certificates of deposit	414,715	7,040		421,755
Restricted assets:				
Cash and cash equivalents			7,253	7,253
Certificates of deposit			42,747	42,747
Total assets	1,025,056	9,774	58,341	1,093,171
FUND BALANCES:				
Nonspendable			50,000	50,000
Restricted		9,774	8,341	18,115
Committed				0
Assigned - capital outlay	68,664			68,664
Assigned - fire department	54,676			54,676
Unassigned	901,716			901,716
Total fund balances	1,025,056	9,774	58,341	1,093,171

* Equals net position on
 statement of net position

See accompanying notes.

CITY OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014

	General Fund	Library Memorial Fund	Cemetery Perpetual Care Funds	Total
Receipts:				
Local sources:				
Taxes:				
Ad valorem taxes	153,636			153,636
General sales and use taxes	215,985			215,985
Gross receipts business tax	911			911
Amusement taxes	204			204
Licenses and permits:	10,476			10,476
Intergovernmental:				
Federal grant: FEMA	23,190			23,190
State shared revenue:				
Grants	6,899			6,899
Bank franchise tax	2,294			2,294
Commercial vehicle prorata	2,317			2,317
Liquor tax revision	4,465			4,465
Motor vehicle licenses (5%)	8,572			8,572
Highway and bridge	21,749			21,749
County shared revenue	8,645			8,645
Deadwood grant	1,600			1,600
Charges for goods and services:				
Fire, net	15,806			15,806
Sanitation	80,880			80,880
Cemetery	400		1,696	2,096
Health and welfare	103			103
Other	191			191
Fines and forfeits:	867	313		1,180
Miscellaneous:				
Interest received	1,101	20	83	1,204
Rents and cable franchise	7,545			7,545
Donations	200	4,796		4,996
Other	1,982			1,982
Total receipts	570,018	5,129	1,779	576,926
Disbursements:				
Current:				
General government:				
Mayor and Council	8,701			8,701
Elections	853			853
Financial administration	47,966			47,966
Other	56,086			56,086
Public safety:				
Police	49,131			49,131
Fire	8,460			8,460
Public works:				
Highways and streets	124,726			124,726
Sanitation	71,371			71,371
Cemetery	7,608		144	7,752
Health and welfare:				
Ambulance	14,500			14,500
Culture and recreation:				
Recreation	1,510			1,510
Parks	22,806			22,806
Library	22,381	1,926		24,307
Museum	7,001			7,001
Conservation and development:				
Economic development	647			647
Capital outlay:	12,303	3,110		15,413
Total disbursements	456,050	5,036	144	461,230
Excess of receipts over (under) disbursements	113,968	93	1,635	115,696
Other financing sources (uses):				
Sale of surplus property	5,065			5,065
Transfers in	45,000			45,000
Net change in fund balance	164,033	93	1,635	165,761 **
Fund balance:				
January 1, 2014	861,023	9,681	56,706	927,410
December 31, 2014	1,025,056	9,774	58,341	1,093,171

** Equals change in net position on
Statement of Activities

See accompanying notes.

CITY OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2013

	General Fund	Library Memorial Fund	Museum Memorial Fund	Cemetery Perpetual Care Funds	Total
Receipts:					
Local sources:					
Taxes:					
Ad valorem taxes	141,318				141,318
General sales and use taxes	197,281				197,281
Gross receipts business tax	770				770
Amusement taxes	204				204
Licenses and permits:	9,262				9,262
Intergovernmental:					
State shared revenue:					
Bank franchise tax	2,167				2,167
Commercial vehicle prorata	2,141				2,141
Liquor tax revision	4,158				4,158
Motor vehicle licenses (5%)	9,228				9,228
Highway and bridge	19,122				19,122
County shared revenue	7,075				7,075
Deadwood grant	7,000				7,000
Charges for goods and services:					
Fire, net	19,890				19,890
Sanitation	74,787				74,787
Cemetery	350				350
Health and welfare	209			848	1,057
Other	1,193				1,193
Fines and forfeits:	627	102			729
Miscellaneous:					
Interest received	1,782	66		78	1,926
Rents and cable franchise	9,135				9,135
Donations	2,187	869			3,056
Other	2,974	51			3,025
Total receipts	512,860	1,088	0	926	514,874
Disbursements:					
Current:					
General government:					
Mayor and Council	12,768				12,768
Elections	476				476
Financial administration	44,910				44,910
Other	49,891				49,891
Public safety:					
Police	47,694				47,694
Fire	9,497				9,497
Public works:					
Highways and streets	104,290				104,290
Sanitation	73,915				73,915
Cemetery	4,258			69	4,327
Health and welfare:					
Ambulance	10,000				10,000
Culture and recreation:					
Recreation	500				500
Parks	20,480				20,480
Library	18,113	713			18,826
Museum	6,597		4,136		10,733
Conservation and development:					
Economic development	2,752				2,752
Capital outlay:	36,172				36,172
Total disbursements	442,313	713	4,136	69	447,231
Excess of receipts over (under) disbursements	70,547	375	(4,136)	857	67,643
Other financing sources (uses):					
Transfers in	45,000				45,000
Net change in fund balance	115,547	375	(4,136)	857	112,643 **
Fund balance:					
January 1, 2013	745,476	9,306	4,136	55,849	814,767
December 31, 2013	861,023	9,681	0	56,706	927,410
	=====	=====	=====	=====	=====
			CLOSED		

** Equals change in net position on
Statement of Activities

See accompanying notes.

CITY OF NEWELL

STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 AS OF DECEMBER 31, 2014

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalent	35,831	39,240	73,453	12,540	161,064
Cash - money market	20,356	107,867	25,207		153,430
Certificates of deposit			11,191		11,191
Restricted assets:					
Cash and cash equivalent		23,426			23,426
Total assets	56,187	170,533	109,851	12,540	349,111
NET POSITION					
Restricted - debt service		23,426			23,426
Unrestricted	56,187	147,107	109,851	12,540	325,685
Total net position	56,187	170,533	109,851	12,540	349,111

See accompanying notes.

CITY OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	437,767	161,621	71,285	13,043	683,716
Total operating receipts	437,767	161,621	71,285	13,043	683,716
Operating disbursements:					
Personal services	125,735	36,767	25,998		188,500
Other current services	94,253	76,083	36,838	6,340	213,514
Cost of goods sold	222,717				222,717
Capital assets		78,802			78,802
Total operating disbursements	442,705	191,652	62,836	6,340	703,533
Excess operating receipts (disbursements)	(4,938)	(30,031)	8,449	6,703	(19,817)
Nonoperating receipts (disbursements):					
Interest received	145	549	164		858
Loan pymts - principal		(10,436)	(798)		(11,234)
- interest		(10,283)	(1,908)		(12,191)
Total nonoperating receipts (disbursements)	145	(20,170)	(2,542)	0	(22,567)
Excess receipts (disbursements) before contributions and trans.	(4,793)	(50,201)	5,907	6,703	(42,384)
Capital contributions		48,002			48,002
SRF DW#2 laon proceeds		28,800			28,800
Sale of surplus property		2,101			2,101
Transfers (out)	(45,000)				(45,000)
Change in net position	(49,793)	28,702	5,907	6,703	(8,481)
Net position:					
January 1, 2014	105,980	141,831	103,944	5,837	357,592
December 31, 2014	56,187	170,533	109,851	12,540	349,111

See accompanying notes.

CITY OF NEWELL

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
Operating receipts:					
Charges for goods and services	467,577	141,944	68,717	8,955	687,193
Total operating receipts	467,577	141,944	68,717	8,955	687,193
Operating disbursements:					
Personal services	121,189	35,273	25,321		181,783
Other current services	79,325	95,108	17,031	3,118	194,582
Cost of goods sold	234,585				234,585
Capital assets		171,069			171,069
Total operating disbursements	435,099	301,450	42,352	3,118	782,019
Excess operating receipts (disbursements)	32,478	(159,506)	26,365	5,837	(94,826)
Nonoperating receipts (disbursements):					
Interest received		134	22		156
Loan pymts - principal		(10,194)	(770)		(10,964)
- interest		(10,525)	(1,936)		(12,461)
Total nonoperating receipts (disbursements)	0	(20,585)	(2,684)	0	(23,269)
Excess receipts (disbursements) before contributions and trans.	32,478	(180,091)	23,681	5,837	(118,095)
Capital contributions		96,343			96,343
SRF DW#2 loan proceeds		57,807			57,807
Transfers (out)	(45,000)				(45,000)
Change in net position	(12,522)	(25,941)	23,681	5,837	(8,945)
Net position:					
January 1, 2013	118,502	167,772	80,263	NEW	366,537
December 31, 2013	105,980	141,831	103,944	5,837	357,592

See accompanying notes.

CITY OF NEWELL

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----
Cash flows from:					
Operating activities:					
Receipts from customers	437,767	161,621	71,285	13,043	683,716
Payments to employees	(125,735)	(36,767)	(25,998)		(188,500)
Payments to suppliers	(316,970)	(76,083)	(36,838)	(6,340)	(436,231)
Payments for capital assets		(78,802)			(78,802)
Net cash provided (used) by operating activities	(4,938)	(30,031)	8,449	6,703	(19,817)
Noncapital financing activities:					
Sale of surplus property		2,101			2,101
Transfers (out)	(45,000)				(45,000)
Capital financing activities:					
Capital grant		48,002			48,002
SRF DW#2 loan proceeds		28,800			28,800
RD loan pymts - principal		(10,436)	(798)		(11,234)
- interest		(10,283)	(1,908)		(12,191)
Investing activities:					
Interest received	145	549	164		858
Redeemed cert. of deposits		67,144			67,144
Purchase cert. of deposits		(1)	(1)		(2)
Net increase (decrease) in cash and cash equivalents	(49,793)	95,845	5,906	6,703	58,661
Cash and cash equivalents:					
January 1, 2014	105,980	74,688	92,754	5,837	279,259
December 31, 2014	56,187	170,533	98,660	12,540	337,920
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(4,938)	(30,031)	8,449	6,703	(19,817)
Net cash provided (used) by operating activities	(4,938)	(30,031)	8,449	6,703	(19,817)
Noncash investing, capital and financing activities: None					
See accompanying notes.					

CITY OF NEWELL

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2013

	Liquor Fund	Water Fund	Sewer Fund	Irrigation Fund	Total Enterprise Funds
Cash flows from:					
Operating activities:					
Receipts from customers	467,577	141,944	68,717	8,955	687,193
Payments to employees	(121,189)	(35,273)	(25,321)		(181,783)
Payments to suppliers	(313,910)	(95,108)	(17,031)	(3,118)	(429,167)
Payments for capital assets		(171,069)			(171,069)
Net cash provided (used) by operating activities	32,478	(159,506)	26,365	5,837	(94,826)
Noncapital financing activities:					
Transfers (out)	(45,000)				(45,000)
Capital financing activities:					
Capital grant		96,343			96,343
SRF DW#2 loan proceeds		57,807			57,807
RD loan pymts - principal		(10,194)	(770)		(10,964)
- interest		(10,525)	(1,936)		(12,461)
Investing activities:					
Interest received		134	22		156
Net increase (decrease) in cash and cash equivalents	(12,522)	(25,941)	23,681	5,837	(8,945)
Cash and cash equivalents:					
January 1, 2013	118,502	100,629	69,073	NEW	288,204
December 31, 2013	105,980	74,688	92,754	5,837	279,259
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	32,478	(159,506)	26,365	5,837	(94,826)
Net cash provided (used) by operating activities	32,478	(159,506)	26,365	5,837	(94,826)
Noncash investing, capital and financing activities: None					
See accompanying notes.					

CITY OF NEWELL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

-- AGENCY FUND ONLY

AS OF DECEMBER 31, 2014

	Payroll Withholding Fund -----
ASSETS	
Cash (deficit)	(595)

Total assets	(595)
	=====
LIABILITIES	
Due to others	(595)

Total liabilities	(595)
	=====

See accompanying notes.

CITY OF NEWELL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Newell's (City) Governing Board.

The City's officials at December 31, 2014 are:

Mayor:	Finance Officer:
Mike Wolff	Jennifer Parrow
Governing Board:	Attorney:
Donald Adams	John Frederickson
Andy Howie	
James Srstka	
Allen Youngberg	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The City of Newell
Component Unit: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Newell consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) 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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the City of Newell does not have any component units.

b. Basis of Presentation:

Government-wide Financial Statements:

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

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

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

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of 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. The City has the following special revenue funds:

Library Memorial Fund - A fund allowed by SDCL 14-2-42 and AGR 82-33 to account for the collection and disbursement of library fines and gifts. The library memorial fund is a major fund.

Museum Memorial Fund - A fund to account for the collection and disbursement of gifts. The museum memorial fund is a major fund and was closed out in 2013.

Permanent Funds - permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs - that is, for the benefit of the City or its citizenry. The City's only permanent fund is:

Cemetery Perpetual Care Fund - A fund allowed by SDCL 9-32-18 to account for the payments received for perpetual care of cemeteries which are permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery. The cemetery perpetual care fund is a major fund.

Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Liquor Fund - A fund allowed by SDCL 35-3-21 to account for the operation of an on-sale and/or off-sale municipal liquor store. The liquor fund is a major fund.

Water Fund - A fund allowed by SDCL 9-47-1 to provide water to customers within the City of Newell. The water fund is a major fund.

Sewer Fund - A fund allowed by SDCL 9-48-2 to provide sewer services to customers within the own of Newell. The sewer fund is a major fund.

Irrigation Fund - A fund allowed by SDCL 9-47-1 to provide water irrigation services to customers of the Newell. The irrigation fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency funds: Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City maintains an agency fund for payroll related purposes.

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 (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

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

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes 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 (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

The City's certificates of deposit with a maturity of more than three months when purchased are not considered a cash equivalent for the statement of cash flows.

Under the modified cash basis of accounting, investments are carried at cost.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

General receipts include all receipts not specifically earmarked for a specific program. General receipts include all taxes, interest received, unrestricted receipts from federal, state, or county governments, and miscellaneous receipts not related to a program. These receipts are not restricted and can be used for the regular operation of the City.

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (if any) (except for agency funds, which have no fund equity) is reported as "Net Position Held in Agency Capacity."

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Fund Cash 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:

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

The City of Newell fund cash balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Cemetery Perpetual Care	Statute	50,000
Restricted	Library Memorial (fines)	Statute	9,774
Restricted	Cemetery Perpetual Care	Statute	8,341
Committed	None		0
Assigned	Capital projects	Finance Officer	68,664
Assigned	Fire department	Finance Officer	54,676
Unassigned	General		901,716

			1,093,171

The City uses "restricted" and "committed" amounts first when 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 City would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source:
* Library Memorial	Receive gifts and collect fines	See page 14 and 15
* Museum Memorial	Receive gifts	See page 15

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. In 2014 the City went over one general fund budget line items by \$561. See page 33. In 2014 the City went over one library fund budget line items by \$4,036. See page 35. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation. These budget overdrafts are not considered a material or significant findings with respect to these financial statements.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its 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 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. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at December 31, 2014 were as follows: Insured \$500,000, Collateralized ** \$961,094, for a total of \$1,461,094.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at December 31, 2014 was \$1,441,687.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

During the two years ending December 31, 2014 the City had no investments.

Investment 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.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty.

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2014, the City's deposits in financial institutions were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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

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

5. LONG-TERM DEBT

A summary of changes in long-term liabilities is presented as supplementary information on page 37. The City did not have any short-term or conduit debt in 2013 or 2014.

6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water and sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure the Water Project Revenue Bonds and one State Revolving Loan which have a remaining balance of \$557,282 at December 31, 2014. These debts were incurred to cover the cost of water improvements. The bonds/loan will mature in 2025, 2042 and 2048. In 2014 the debt had pledged water revenue of \$48,771, pledged sewer revenue of \$8,449, and total payments of \$23,425.

7. RESTRICTED NET POSITION

The following table shows the December 31, 2014 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
Cemetery Perpetual Care Debt	Statute Contract	50,000	23,426
		-----	-----
Total Restricted Net Position		50,000	23,426

8. INTERFUND TRANSFERS

Transfers "in" and "(out)" between funds were:

	2014 Governmental	2014 Enterprise	2013 Governmental	2013 Enterprise	Purpose
General	45,000		45,000		Operations
Liquor		(45,000)		(45,000)	Operations

9. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. SDRS provides retirement, disability and survivors 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 South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

General employees are required by statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9% respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% 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 years ending December 31, 2014, 2013, and 2012 were \$11,324, \$10,237 and \$9,683 (employer's share) respectively, equal to the required contributions each year.

There are no deferred contributions.

10. PROPERTY TAX

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

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

11. JOINT VENTURES

In 2013 the City ended its joint venture participation in the Butte County Ambulance Service. In 2013 the City contributed \$10,000 and in 2014 the City contributed \$14,500 to the Butte County Ambulance Service.

12. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the two years ending December 31, 2014 the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial carrier. The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide coverage for general liability, officials liability, and automobile liability and damage.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. The City carries a \$500 deductible for officials liability, \$100 deductible for automobile comprehensive coverage, and a \$250 deductible for automobile collision coverage.

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 cost for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

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 on the following formula:

End of the City's:

First Full Year (50%), Second Full Year (60%), Third Full Year (70%)
Fourth Full Year (80%), Fifth Full Year (90%), Sixth Full Year (100%)

As of December 31, 2014, the City has a vested balance in the cumulative reserve fund of \$20,983.

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.

Worker's Compensation:

The City joined the South Dakota Municipal League Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide worker's compensation coverage for its employees. 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 objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The City may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

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 has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the two years ended December 31, 2014, no claims for unemployment benefits were filed and no claims are outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

13. LITIGATION

At December 31, 2014, the City was not a party to litigation or pending legal action. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees through South Dakota Public Assurance Alliance. Therefore, should there be legal action, it is not expected to have a material effect on the City's financial statements.

14. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has no material unallowed related party activity.

The City does not offer any Other Post Employment Benefits.

The city has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In January 2015 the Commission adopted the motion, "The Town of Newell supports a local option additional penny of municipal sales tax, with the approval of our voters, for specific infrastructure projects."

CITY OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplemental			Final
Receipts:						
Receipts from local sources:						
Taxes:	322,150			322,150	370,736	48,586
Licenses and permits:	3,600			3,600	10,476	6,876
Intergovernmental receipts:	36,850			36,850	79,731	42,881
Charges for goods and services	69,700			69,700	97,380	27,680
Fines and forfeits	1,800			1,800	867	(933)
Miscellaneous receipts:	18,040			18,040	10,828	(7,212)
Total receipts	452,140	0	0	452,140	570,018	117,878
Disbursements:						
General government:						
Mayor and Council	6,440		1,700	8,140	8,701	(561)
Contingency	10,000			10,000		10,000
Amount transferred		(9,000)		(9,000)		(9,000)
Elections	775		80	855	853	2
Financial administration	48,810		3,000	51,810	47,966	3,844
Other	59,965			59,965	56,086	3,879
Public safety:						
Police	48,825		310	49,135	49,131	4
Fire	12,500			12,500	8,460	4,040
Public works:						
Highways and streets	154,635			154,635	129,981	24,654
Sanitation	67,080	9,000	3,225	79,305	71,371	7,934
Cemetery	7,785		300	8,085	7,608	477
Health and welfare:						
Ambulance	15,000			15,000	14,500	500
Culture and recreation:						
Recreation	5,500			5,500	1,510	3,990
Parks	25,970			25,970	22,806	3,164
Library	24,125		3,000	27,125	26,935	190
Museum	7,650			7,650	7,001	649
Conservation and development:						
Economic development	2,080		1,100	3,180	3,141	39
Total disbursements	497,140	0	12,715	509,855	456,050	53,805
Excess of receipts over (under) disbursements	(45,000)	0	(12,715)	(57,715)	113,968	171,683
Other financing sources (uses):						
Sale of surplus property				0	5,065	5,065
Transfer in	45,000			45,000	45,000	0
Net change in fund balance	0	0	(12,715)	(12,715)	164,033	176,748
Fund balance:						
January 1, 2014	861,023			861,023	861,023	0
December 31, 2014	861,023	0	(12,715)	848,308	1,025,056	176,748

CITY OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2013

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental: Final		
Receipts:					
Receipts from local sources:					
Taxes:	310,950		310,950	339,573	28,623
Licenses and permits:	3,600		3,600	9,262	5,662
Intergovernmental receipts:	33,365		33,365	50,891	17,526
Charges for goods and services	68,250		68,250	96,429	28,179
Fines and forfeits	1,300		1,300	627	(673)
Miscellaneous receipts:	19,700		19,700	16,078	(3,622)
Total receipts	437,165	0	437,165	512,860	75,695
Disbursements:					
General government:					
Mayor and Council	16,059		16,059	12,768	3,291
Contingency	10,000		10,000		10,000
Amount transferred		(10,000)	(10,000)		(10,000)
Elections	800		800	476	324
Financial administration	46,510		46,510	44,910	1,600
Other	52,309		52,309	49,891	2,418
Public safety:					
Police	47,694		47,694	47,694	0
Fire	12,348		12,348	9,497	2,851
Public works:					
Highways and streets	141,134		146,884	123,690	23,194
Sanitation	84,242		86,242	73,915	12,327
Cemetery	6,830		6,830	4,258	2,572
Health and welfare:					
Ambulance	0	10,000	10,000	10,000	0
Culture and recreation:					
Recreation	500		500	500	0
Parks	30,625		30,625	28,480	2,145
Library	24,292		24,792	24,048	744
Museum	7,345		7,345	6,597	748
Conservation and development:					
Economic development	1,700		6,200	5,589	611
Total disbursements	482,388	0	495,138	442,313	52,825
Excess of receipts over (under) disbursements	(45,223)	0	(12,750)	70,547	128,520
Other financing sources (uses):					
Transfer in	45,000		45,000	45,000	0
Transfer (out)	(1,500)		(1,500)		1,500
Net change in fund balance	(1,723)	0	(12,750)	115,547	130,020
Fund balance:					
January 1, 2013	745,476		745,476	745,476	0
December 31, 2013	743,753	0	731,003	861,023	130,020

CITY OF NEWELL

SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2014

LIBRARY MEMORIAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Fines and forfeits	100		100	313	213
Miscellaneous receipts:	500		500	4,816	4,316
Total receipts	600	0	600	5,129	4,529
Disbursements:					
Culture and recreation:					
Library	1,000		1,000	5,036	(4,036)
Total disbursements	1,000	0	1,000	5,036	(4,036)
Excess of receipts over (under) disbursements	(400)	0	(400)	93	493
Other financing sources (uses):					
Transfer in	400		400		(400)
Change in fund balance	0	0	0	93	93
Fund balance:					
January 1, 2014	9,681		9,681	9,681	0
December 31, 2014	9,681	0	9,681	9,774	93

FOR THE YEAR ENDING DECEMBER 31, 2013

	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplementals	Final		
Receipts:					
Fines and forfeits	100		100	102	2
Miscellaneous receipts:	900		900	986	86
Total receipts	1,000	0	1,000	1,088	88
Disbursements:					
Culture and recreation:					
Library	1,000		1,000	713	287
Conservation and development:					
Economic development	1,500		1,500		1,500
Total disbursements	2,500	0	2,500	713	1,787
Excess of receipts over (under) disbursements	(1,500)	0	(1,500)	375	1,875
Other financing sources (uses):					
Transfer in	1,500		1,500		(1,500)
Change in fund balance	0	0	0	375	375
Fund balance:					
January 1, 2013	9,306		9,306	9,306	0
December 31, 2013	9,306	0	9,306	9,681	375

CITY OF NEWELL

BUDGETARY SUPPLEMENTARY INFORMATION

NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND
AND SPECIAL REVENUE FUNDS FOR THE TWO YEARS ENDING DECEMBER 31, 2014

1. BUDGETS AND BUDGETARY ACCOUNTING

The City of Newell (City) follows these procedures in establishing the budgetary data reflected in the budgetary supplementary information:

- a. 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.
- b. 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 d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets. During 2014 there was one supplemental budget to the general fund. See page 33. During 2013 there was one supplemental budget to the general fund. See page 34.
- e. Formal budgetary integration is employed as a management control device for the general fund and special revenue funds.
- f. Budgets for the general fund and special revenue funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with US-GAAP (within the context of the modified cash basis of accounting) present capital outlay disbursement information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital outlay disbursement in the governmental funds statement of receipts, disbursements and changes in fund cash balance. However, in the budgetary supplementary information schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF NEWELL

SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2014

	Beginning 12-31-12	2013 Additions (Deletions)	2014 Additions (Deletions)	Governmental	Enterprise	Principal Payments Due in 2015
				Funds	Funds	
				Ending 12-31-14	Ending 12-31-14	
BUSINESS-TYPE						
2009 Water Project Bond:						
Original amount of \$114,000						
Maturing in 2048						
Interest at 3.625%						
Monthly payments of \$451						
Paid by the water and sewer fund	107,605	(1,540)	(1,596)		104,469	1,625
2010 Water Project Bond:						
Original amount of \$714,774						
Principal forgiveness of \$322,750						
Maturing in January 2042						
Interest at 2.25%						
Quarterly payments of \$4,503						
Paid by the water fund	385,268	(9,424)	(9,638)		366,206	9,857
2013 State Revolving Fund Loan - DW#2						
Original amount of \$230,952						
Principal forgiveness of \$144,345						
Maturing in April 2025						
Interest at 1.25%		154,150	76,802			
Quarterly payments of \$2,306.70		(96,343)	(48,002) forgiven			
Paid by the water fund	0	0	0		86,607	6,127
Totals	492,873	46,843	17,566		557,282	17,609

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2014

	Total Payment	Principal	Interest	Balance
2009 Water Project Bond:				
2015	5,412	1,625	3,787	102,844
2016	5,412	1,684	3,728	101,160
2017	5,412	1,745	3,667	99,415
2018	5,412	1,808	3,604	97,607
2019	5,412	1,874	3,538	95,733
2020-2024	27,060	10,438	16,622	85,295
2025-2029	27,060	12,473	14,587	72,822
2030-2034	27,060	14,903	12,157	57,919
2035-2039	27,060	17,807	9,253	40,112
2040-2044	27,060	21,278	5,782	18,834
2045-2048	18,998	18,834	164	0
Totals	181,358	104,469	76,889	
2010 Water Project Bond:				
2015	18,014	9,857	8,157	356,349
2016	18,013	10,080	7,933	346,269
2017	18,014	10,309	7,705	335,960
2018	18,013	10,543	7,470	325,417
2019	18,014	10,782	7,232	314,635
2020-2024	90,068	57,694	32,374	256,941
2025-2029	90,067	64,543	25,524	192,398
2030-2034	90,068	72,206	17,862	120,192
2035-2039	90,067	80,778	9,289	39,414
2040-2042	40,530	39,414	1,116	0
Totals	490,868	366,206	124,662	
2009 Water Project Bond:				
2015	7,854	6,127	1,727	80,480
2016	9,227	8,259	968	72,221
2017	9,227	8,363	864	63,858
2018	9,227	8,468	759	55,390
2019	9,227	8,575	652	46,815
2020-2024	46,134	44,515	1,619	2,300
2025	2,306	2,300	6	0
Totals	93,202	86,607	6,595	

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

Governing Board
City of Newell
Newell, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Newell (City), Butte County, South Dakota, as of December 31, 2014 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated April 12, 2016 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newell's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit findings and questioned costs as item 2014-01.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

I did note other matters involving compliance that I reported to the governing body and management of the City of Newell in a separate Letter of Comments dated April 12, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exist 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 City of Newell's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be significant a deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2014-01 to be significant deficiency.

Management response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

I did note other matters involving internal control that I reported to the governing body and management of the City of Newell in a separate Letter of Comments dated April 12, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the City's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance and internal control over financial reporting. 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

April 12, 2016



CITY OF NEWELL
SCHEDULES OF FINDINGS AND RESPONSES
DECEMBER 31, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable

Prior Other Audit Findings:
2012-01: [Fire Department Records] -- Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2014-01: Volunteer Fire Department Records
(compliance and internal control)

Criteria:

Governmental Accounting Standards Board (GASB) requires that a government's general purpose financial statements include the activity of all entities related to that government. (GASB Codification Sec. 2600) Also, South Dakota Codified Laws 9-14-17 and 9-14-18 require the finance officer to keep regular books of account for all financial transactions. To fully comply with these statutes, the finance officer should have access to, or knowledge of, the balances and activity of bank accounts and books kept by the Newell Volunteer Fire Department.

Condition:

The Volunteer Fire Department belongs to the City of Newell. However, its books and records are not available to the City's finance officer.

Questioned Cost:

None could be identified regarding this finding.

Effect:

Withholding financial information results in inaccurate financial reporting and the possible misappropriation of funds.

Recommendation:

Management of the City should attempt to obtain financial information from the Volunteer Fire Department on an annual basis.

Management Response:

Management agrees with this recommendation and will attempt to obtain financial information from the Volunteer Fire Department on an annual basis.