

TOWN OF ROSHOLT  
ROSHOLT, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2010  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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

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FOR THE TWO YEARS ENDING DECEMBER 31, 2010

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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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P.O. Box 262  
Madison, South Dakota 57042  
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Governing Board  
Town of Rosholt  
Rosholt, South Dakota

## INDEPENDENT AUDITOR'S REPORT

01a. [Introduction] I have audited the accompanying modified cash basis financial statements of governmental activities, business-type activities, and each major fund of the Town of Rosholt (Town), Roberts County, South Dakota, as of and for each year in the biennial period ending December 31, 2010.

01b. [Introduction] I did not audited the accompanying modified cash basis financial statements of the Rosholt Housing and Redevelopment Commission, which represents 100% of the cash assets, net cash assets, receipts, and disbursements of the discretely presented component unit on the government-wide statement of net cash assets and statement of cash activities for the Town of Rosholt, Roberts County, South Dakota, as of and for each year in the biennial period ending December 31, 2010.

01c. [Introduction] Financial statements described in paragraphs 01a and 01b above collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rosholt's management. My responsibility is to express opinions on these financial statements based on my audit.

02. [Scope] Except as discussed in paragraphs 03 and 04 below, I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

03. [Scope Limitation: Government-wide Financial Statements: Component Unit] I was not engaged to audit the Rosholt Housing and Redevelopment Commission. This entity was determined to be a component unit of the Town of Rosholt by statute or significant fiscal dependency. Audit procedures were not applied to the Rosholt Housing and Redevelopment Commission.

04. [Scope Limitation: Video Lottery Machine Tickets] Liquor fund video lottery machine tickets estimated to total \$17,703 in 2010 were not located.

05. [Modified Cash Basis] As described in note 1c to these financial statements, the Town of Rosholt prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. It is not the intention of the Town of Rosholt to present its financial statements in accordance with generally accepted accounting principles.

*Government-Wide Financial Statements:*

06. [Disclaimer of Opinion: Discretely Presented Component Unit] Financial statements, referred to in paragraph 01b above, of the modified cash basis financial position and changes in financial position of the discretely presented component unit of the Town of Rosholt, as of and for each year in the biennial period ending December 31, 2010, were not audited by me and, accordingly, I do not express an opinion on them.

07. [Qualified Opinion: Business-Type Activities] In my opinion, except for the effects of such adjustments, if any, as might have been necessary had I been able to locate liquor fund video lottery machine tickets estimated to total \$17,703 in 2010 as discussed in paragraph 04 above, the modified cash basis financial statements referred to in paragraph 01a above, present fairly, in all material respects, the modified cash basis financial position and changes in financial position of business-type activities of the Town of Rosholt as of and for each year in the biennial period ending December 31, 2010 in conformity with the modified cash basis of accounting as described in note 1c.

08. [Unqualified Opinion: Governmental Activities] Further, in my opinion, the modified cash basis financial statements referred to in paragraph 01a above, present fairly, in all material respects, the modified cash basis financial position and changes in financial position of governmental activities of the Town of Rosholt as of and for each year in the biennial period ending December 31, 2010 in conformity with the modified cash basis of accounting as described in note 1c.

*Fund Financial Statements:*

09. [Qualified Opinion: Liquor Fund] Further, in my opinion, except for the effects of such adjustments, if any, as might have been necessary had I been able to locate liquor fund video lottery machine tickets estimated to total \$17,703 in 2010 as discussed in paragraph 04 above, the modified cash basis financial statements referred to in paragraph 01a above, present fairly, in all material respects, the modified cash basis financial position and changes in financial position of the liquor fund of the Town of Rosholt as of and for each year in the biennial period ending December 31, 2010 in conformity with the modified cash basis of accounting as described in note 1c.

10. [Unqualified Opinions: General, Community Center, Water and Sewer Funds] Finally, in my opinion, the modified cash basis financial statements referred to in paragraph 01a above, present fairly, in all material respects, the modified cash basis financial position and changes in financial position of the general, community center, water and sewer funds of the Town of Rosholt as of and for each year in the biennial period ending December 31, 2010 in conformity with the modified cash basis of accounting as described in note 1c.

11. [Companion Report] In accordance with *Government Auditing Standards*, I have also issued my report (page 24) dated November 22, 2011 on my consideration of the Town of Rosholt's compliance with certain provisions of laws, regulations, contracts, grant agreements, 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* and should be considered in assessing the results of my audit.

12. [Required Supplementary Information] The budgetary comparison schedules (page 19 to 21) are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

13. [Omission of Management's Discussion and Analysis] The Town of Rosholt has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

14. [Supplementary Information] My audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the Town of Rosholt's basic financial statements.

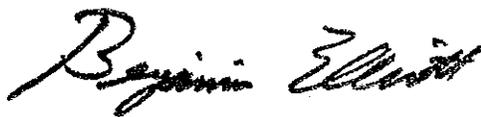
The accompanying Schedule of Changes in Long-Term Debt (page 22) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards (page 23) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Changes in Long-Term Debt and the Schedule of Expenditures of Federal Awards have been subject to auditing procedures applied in the audit of the basic financial statements and, in my opinion, subject to scope the limitation described in paragraph 04, are fairly stated, in all material respects, in relation to the modified cash basis financial statements taken as a whole.

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

November 22, 2011



TOWN OF ROSHOLT

STATEMENT OF NET CASH ASSETS  
 MODIFIED CASH BASIS  
 AS OF DECEMBER 31, 2010

	Primary Government			Component Unit NOT AUDITED
	Governmental Activities	Business- Type Activities	Total	
<b>CASH ASSETS</b>				
Petty cash		3,900	3,900	
Checking	35,471	141,631	177,102	10,265
Savings	19,597	18,168	37,765	4,454
Certificates of deposit	47,179	24,369	71,548	44,426
<b>Total cash assets</b>	<b>102,247</b>	<b>188,068</b>	<b>290,315</b>	<b>59,145</b>
<b>NET CASH ASSETS</b>				
Restricted for:				
Debt service		24,369	24,369	4,454
Construction		91,893	91,893	
DENR maintenance reserve		1,000	1,000	
Unrestricted	102,247	70,806	173,053	54,691
<b>Total net cash assets</b>	<b>102,247</b>	<b>188,068</b>	<b>290,315</b>	<b>59,145</b>

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF CASH ACTIVITIES  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2010

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Assets			Component Unit NOT AUDITED
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	75,393	315			(75,078)		(75,078)	
General government - buildings	82,647				(82,647)		(82,647)	
Public safety	64,924		5,000		(59,924)		(59,924)	
Public works	149,844	34,083			(115,761)		(115,761)	
Culture and recreation	15,734	6,166			(9,568)		(9,568)	
Total governmental activities	388,542	40,564	5,000	0	(342,978)	0	(342,978)	0
Business-type activities:								
Liquor	432,505	412,718				(19,787)	(19,787)	
Water	42,857	121,570				78,713	78,713	
Sewer	1,454,915	72,342		677,491		(705,082)	(705,082)	
Total business-type activities	1,930,277	606,630	0	677,491	0	(646,156)	(646,156)	0
Total primary government	2,318,819	647,194	5,000	677,491	(342,978)	(646,156)	(989,134)	0
Rosholt Housing & Redevelopment Commission	46,053	54,261						8,208
General receipts:								
Property taxes					65,771		65,771	
Sales taxes					55,110		55,110	
Amusement taxes					60		60	
State shared receipts					15,466		15,466	
Fines					50		50	
Interest received					969	313	1,282	1
Loan proceeds					120,000	810,000	930,000	
Sale of surplus property					8,000		8,000	
Compensation for damaged property					4,950		4,950	
Miscellaneous receipts					18,046		18,046	
Transfers					149,667	(149,667)	0	
Total general receipts and transfers					438,089	660,646	1,098,735	1
Change in net cash assets					95,111	14,490	109,601	8,209
Net cash assets, January 1, 2010					7,136	173,578	180,714	50,936
Net cash assets, December 31, 2010					102,247	188,068	290,315	59,145

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF CASH ACTIVITIES  
 MODIFIED CASH BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2009

Functions/Programs:	Program Receipts				Net Receipts (Disbursements) and Changes in Net Assets			Component Unit NOT AUDITED
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government	64,338	892			(63,446)		(63,446)	
General government - buildings	486,910				(486,910)		(486,910)	
Public safety	54,915				(54,915)		(54,915)	
Public works	118,179	28,674			(89,505)		(89,505)	
Culture and recreation	8,613	8,272			(341)		(341)	
Total governmental activities	732,955	37,838	0	0	(695,117)	0	(695,117)	0
Business-type activities:								
Liquor	318,123	371,653				53,530	53,530	
Water	38,736	44,791				6,055	6,055	
Sewer	26,070	31,113				5,043	5,043	
Total business-type activities	382,929	447,557	0	0	0	64,628	64,628	0
Total primary government	1,115,884	485,395	0	0	(695,117)	64,628	(630,489)	0
Rosholt Housing & Redevelopment Commission	51,898	53,124						1,226
General receipts:								
Property taxes					68,455		68,455	
Sales taxes					79,432		79,432	
Amusement taxes					72		72	
State shared receipts					13,981		13,981	
Interest received					1,384	1,441	2,825	1
Loan proceeds					280,000		280,000	
Miscellaneous receipts					19,962		19,962	
Transfers					74,987	(74,987)	0	
Total general receipts and transfers					538,273	(73,546)	464,727	1
Change in net cash assets					(156,844)	(8,918)	(165,762)	1,227
Net cash assets, January 1, 2009					163,980	182,496	346,476	49,709
Net cash assets, December 31, 2009					7,136	173,578	180,714	50,936

See accompanying notes.

TOWN OF ROSHOLT

CASH BALANCE SHEET -- MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2010

	General Fund	Community Center Fund	Total Governmental Funds
	-----	-----	-----
<b>CASH ASSETS</b>			
Checking	14,486	20,985	35,471
Savings	19,597		19,597
Certificates of deposit	47,179		47,179
	-----	-----	-----
<b>Total cash assets</b>	<b>81,262</b>	<b>20,985</b>	<b>102,247</b>
	=====	=====	=====
 <b>FUND CASH BALANCE</b>			
Unreserved, undesignated	81,262	20,985	102,247
	-----	-----	-----
<b>Total fund cash balance</b>	<b>81,262</b>	<b>20,985</b>	<b>102,247</b>
	=====	=====	=====

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
 IN FUND CASH BALANCES -- MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2010  
 FOR THE YEAR ENDING DECEMBER 31, 2009

	2010			2009		
	General Fund	Community Center Fund	Total Governmental Funds	General Fund	Community Center Fund	Total Governmental Funds
<b>Receipts:</b>						
Receipts from local sources:						
Taxes:						
Ad valorem taxes	65,771		65,771	68,455		68,455
General sales and use taxes	55,110		55,110	79,432		79,432
Amusement taxes	60		60	72		72
Licenses and permits:	315		315	892		892
Intergovernmental receipts:						
Federal shared receipts:						
Police grant - ARRA	5,000		5,000			0
State shared receipts:						
Bank franchise tax	355		355	296		296
Liquor tax revision	2,550		2,550	2,505		2,505
Motor vehicle license	2,948		2,948	2,139		2,139
Highway and bridge	9,613		9,613	9,041		9,041
Charges for goods and services:						
Solid waste	34,083		34,083	28,674		28,674
Community Center		6,166	6,166		8,272	8,272
Fines and forfeits:	50		50			0
Miscellaneous receipts:						
Interest earned	967	2	969	1,382	2	1,384
Other	18,046		18,046	19,962		19,962
<b>Total receipts</b>	<b>194,868</b>	<b>6,168</b>	<b>201,036</b>	<b>212,850</b>	<b>8,274</b>	<b>221,124</b>
<b>Disbursements:</b>						
General government:						
General government	37,177		37,177	32,748		32,748
General government - finance	38,216		38,216	31,590		31,590
General government - buildings	18,463		18,463	10,910		10,910
Public safety:						
Police	58,355		58,355	48,267		48,267
Fire	6,569		6,569	6,648		6,648
Public works:						
Highways and streets	116,581		116,581	86,098		86,098
Solid waste	33,263		33,263	32,081		32,081
Culture and recreation:						
Parks and recreation	9,451		9,451	558		558
Community Center		6,283	6,283		8,055	8,055
Capital outlay - Corner Bar building	64,184		64,184	476,000		476,000
<b>Total disbursements</b>	<b>382,259</b>	<b>6,283</b>	<b>388,542</b>	<b>724,900</b>	<b>8,055</b>	<b>732,955</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(187,391)</b>	<b>(115)</b>	<b>(187,506)</b>	<b>(512,050)</b>	<b>219</b>	<b>(511,831)</b>
<b>Other financing sources (uses):</b>						
Transfer in	149,667		149,667	74,987		74,987
Loan proceeds	120,000		120,000	280,000		280,000
Sale of surplus property	8,000		8,000			0
Compensation for damaged property	4,950		4,950			0
<b>Net change in fund cash balances</b>	<b>95,226</b>	<b>(115)</b>	<b>95,111</b>	<b>(157,063)</b>	<b>219</b>	<b>(156,844)</b>
<b>Fund cash balances:</b>						
January 1, 2009				143,099	20,881	163,980
December 31, 2009	(13,964)	21,100	7,136	(13,964)	21,100	7,136
December 31, 2010	81,262	20,985	102,247			

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF NET CASH ASSETS -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 AS OF DECEMBER 31, 2010

	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
	-----	-----	-----	-----
<b>CASH ASSETS</b>				
Petty cash	3,900			3,900
Checking	48,738		92,893	141,631
Savings	665	12,458	5,045	18,168
Certificates of deposit		24,369		24,369
	-----	-----	-----	-----
<b>Total CASH assets</b>	<b>53,303</b>	<b>36,827</b>	<b>97,938</b>	<b>188,068</b>
	=====	=====	=====	=====
 <b>NET CASH ASSETS</b>				
Restricted for:				
Debt service		24,369		24,369
Construction			91,893	91,893
DENR maintenance reserve			1,000	1,000
Unrestricted and undesignated	53,303	12,458	5,045	70,806
	-----	-----	-----	-----
<b>Total net cash assets</b>	<b>53,303</b>	<b>36,827</b>	<b>97,938</b>	<b>188,068</b>
	=====	=====	=====	=====

See accompanying notes.

TOWN OF ROSHOLT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND NET CASH ASSETS -- MODIFIED CASH BASIS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2010  
 FOR THE YEAR ENDING DECEMBER 31, 2009

	2010				2009			
	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds	Liquor Fund	Water Fund	Sewer Fund	Total Enterprise Funds
<b>Operating receipts:</b>								
Charges for goods and services	386,962	121,570	72,342	580,874	339,488	44,791	31,113	415,392
Lottery sales	25,756			25,756	32,165			32,165
<b>Total operating receipts</b>	<b>412,718</b>	<b>121,570</b>	<b>72,342</b>	<b>606,630</b>	<b>371,653</b>	<b>44,791</b>	<b>31,113</b>	<b>447,557</b>
<b>Operating disbursements:</b>								
Personal services	82,384	11,773	11,793	105,950	69,865	11,727	11,709	93,301
Other current services	329,121	22,624	6,689	358,434	248,258	17,844	14,361	280,463
<b>Total operating disbursement</b>	<b>411,505</b>	<b>34,397</b>	<b>18,482</b>	<b>464,384</b>	<b>318,123</b>	<b>29,571</b>	<b>26,070</b>	<b>373,764</b>
<b>Excess of operating receipts over operating disbursements</b>	<b>1,213</b>	<b>87,173</b>	<b>53,860</b>	<b>142,246</b>	<b>53,530</b>	<b>15,220</b>	<b>5,043</b>	<b>73,793</b>
<b>Nonoperating receipts (disbursements):</b>								
Interest earnings	10	302	1	313	12	1,428	1	1,441
Rural Development loan (ARRA)			810,000	810,000				
Sewer project costs			(1,421,323)	(1,421,323)				
Debt service: Principal	(10,530)	(2,739)	(10,140)	(23,409)		(3,220)		(3,220)
Interest	(10,470)	(5,721)	(4,970)	(21,161)		(5,945)		(5,945)
<b>Total nonoperating receipts (disbursements)</b>	<b>(20,990)</b>	<b>(8,158)</b>	<b>(626,432)</b>	<b>(655,580)</b>	<b>12</b>	<b>(7,737)</b>	<b>1</b>	<b>(7,724)</b>
<b>Total receipts (disbursements) before capital contributio and transfers</b>	<b>(19,777)</b>	<b>79,015</b>	<b>(572,572)</b>	<b>(513,334)</b>	<b>53,542</b>	<b>7,483</b>	<b>5,044</b>	<b>66,069</b>
<b>Capital contributions:</b>								
Rural Development grant (ARRA)			489,822	489,822				
South Dakota wastewater grant			187,669	187,669				
Transfers in (out)	(59,729)	(77,913)	(12,025)	(149,667)	(64,268)	(5,675)	(5,044)	(74,987)
<b>Change in net cash assets</b>	<b>(79,506)</b>	<b>1,102</b>	<b>92,894</b>	<b>14,490</b>	<b>(10,726)</b>	<b>1,808</b>	<b>0</b>	<b>(8,918)</b>
<b>Net cash assets:</b>								
January 1, 2009					143,535	33,917	5,044	182,496
December 31, 2009	132,809	35,725	5,044	173,578	132,809	35,725	5,044	173,578
December 31, 2010	53,303	36,827	97,938	188,068				

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 1c, these financial statements are presented on a modified cash basis of accounting. This 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. In the government-wide financial statements and the fund financial statements for the enterprise funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

a. Reporting Entity:

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

The Town's officials at December 31, 2010 are:

President:	Finance Officer:
Ron Anderson	Tom Vergeldt
Trustees:	Attorney:
Steve Johnson	Michael Hogan
Calvin Ceroll	

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

Primary government: Town of Rosholt

Component unit: Rosholt Housing & Redevelopment Commission  
Financial statements are available at the  
Rosholt Town Hall.

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

The reporting entity of the Town of Rosholt 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 Town 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 Town (the primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town unless that organization can, without the approval of the Town: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Rosholt Housing and Redevelopment Commission (RHRC) is a component unit of the Town of Rosholt and represents 100% of the balances and activity of the discretely presented component unit column of these financial statements.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Cash Assets 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 Cash Assets reports all cash assets. Net cash assets are displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Cash Activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities and for each segment of Town'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 cash assets, 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 Town 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 Town has elected to classify all of its funds as major funds.

Funds of the Town 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 Town 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 Town has the following special revenue funds:

Community Center Fund - A fund established by SDCL 6-4-1 for operation and maintenance of a community center.

### 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 Town has the following enterprise funds:

Liquor Fund - A fund established by SDCL 35-3-21 to provide on-sale and off-sale liquor services. This fund also accounts for video lottery machine activity. This fund is a major fund.

Water Fund - A fund established by SDCL 9-47-1 to provide water to customers within the Town of Rosholt.

Sewer Fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the own of Rosholt.

### Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The Town of Rosholt has no fiduciary funds.

#### c. Basis of Accounting:

Basis of accounting refers to when revenues (receipts) and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements.

These financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than a accrual/modified accrual basis of accounting. The cash basis has been modified by including certificates of deposit (if any) whose maturity when purchased is more than 90 days. This basis recognizes only cash, certificates of deposit, net cash assets, receipts and disbursements that result from cash transactions. Consequently, revenues (receipts) are recognized when received and expenditures or expenses (disbursements) are recognized when paid. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise fund types would use the full accrual basis of accounting. All government-wide financials would be presented on the full accrual basis of accounting.

The government-wide, business-type activities and enterprise funds do not apply any FASB Statements or Interpretations issued after November 30, 1989.

d. Cash and Cash Equivalents:

The Town considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

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 Cash Activities, reported program receipts derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program receipts 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 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 Town.

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 subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

*Government-wide financial Statements:*

Equity is classified as net cash assets and is displayed in two components:

1. Restricted Net Cash Assets - Consists of net cash assets 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 Cash Assets - All other net cash assets that do not meet the definition of "restricted net cash assets".

Fund Financial Statements:

Governmental fund equity is classified as fund cash balance and may distinguish between "reserved" and "unreserved" components. Enterprise fund equity is classified the same as in the government-wide financial statements.

i. Application of Net Cash Assets:

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

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The Town is prohibited by statute from spending in excess of appropriated amounts by department within a fund. Following are the overdrafts departmental disbursements compared to appropriations. See also page 19 to 20.

General Fund:	2010	2009
General government	14,932	3,548
Finance office	4,566	
Government buildings	33,647	386,910
Police	12,055	
Fire	2,569	
Streets	51,796	29,248
Parks and recreation	7,151	
	-----	-----
	126,716	419,706

In the future, the Town expects to make contingency transfers or adopt supplemental appropriations to cover disbursements that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

The Town 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 Town 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 at cost plus interest if the account is of the add-on type.

Actual bank balances at December 31, 2010 were as follows: Insured \$319,346, Collateralized \*\* \$0, for a total of \$319,346.

\*\* 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, 2010 was \$290,315 held at Great Western Bank.

Investments - In general, SDCL 4-5-6 permits Town 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 that investments shall 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. Investments (if any) are stated at cost or amortized cost plus accrued interest. The Town had no investments during 2009 or 2010.

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.

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

Custodial Risk (Deposits) - The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. At December 31, 2010, the Town's deposits in financial institutions were not exposed to custodial risk for deposits.

Custodial Risk (Investments) - The risk that, in the event of a default by the counterparty to a transaction, the Town will not be able to recover the value of an investment or collateral securities held by the counterparty. The Town had no investments during 2009 or 2010 and was not exposed to custodial risk for investments.

Concentration of Credit Risk - the Town places no limit on the amount that may be deposited or invested in any one institution.

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

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

#### 4. INTERFUND TRANSFERS

The 2010 transfers "in" and "(out)" between funds were:

For operations:	Governmental	Enterprise
General from Liquor	34,529	(34,529)
General from Water	77,913	(77,913)
General from Sewer	37,225	(37,225)
Liquor to Sewer		(25,200)
Sewer from Liquor		25,200
	-----	-----
	149,667	(149,667)

The 2009 transfers "in" and "(out)" between funds were:

For operations:	Governmental	Enterprise
General from Liquor	64,268	(64,268)
General from Water	5,675	( 5,675)
General from Sewer	5,044	( 5,044)
	-----	-----
	74,987	(74,987)

5. RESTRICTED NET ASSETS

Restricted net assets at December 31, 2010 are as follows:

Purpose:	Restricted By:	Governmental	Business-Type
Debt	Covenants		24,369
Construction	Contract		91,893
DENR Maintenance	Contract		1,000
		-----	-----
Total Restricted Net Assets		0	117,262

6. FUTURE REVENUES PLEDGED TO SECURE DEBT

All liquor fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a bank loan which has a remaining balance of \$389,470. The loan was made to construct the Corner Bar building and is described on page 22. The loan will mature in 2015. In 2010 the loan had pledged revenue of \$1,213 before loan payments of \$21,000.

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$120,852. The loan was made to cover the cost of water improvements and is described on page 22. The loan will mature in 2035. In 2010 the loan had pledged revenue of \$87,173 before loan payments of \$8,640.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure a Rural Development (USDA) loan which has a remaining balance of \$799,860. The loan was made to cover the cost of sewer improvements and is described on page 22. The loan will mature in 2050. In 2010 the loan had pledged revenue of \$53,860 before loan payments of \$15,110.

7. MAJOR CUSTOMER

In 2010 approximately 50% of water fund cash receipts were received from Red River Energy, LLC, a ethanol company.

8. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the Town's taxes and remits them to the Town. Because the Town is on the modified cash basis of accounting, all property taxes received in cash are considered a receipt for the period in which it was collected.

9. INSURANCE

The Town 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, 2010 the Town managed its risks as follows:

Employee Health Insurance:  
None.

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

Worker's Compensation:  
The Town 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 Town 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 \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual 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 Town'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 Town pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The Town 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 Town 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 Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. There were no unemployment claims in 2009 or 2010 and none are expected in 2011.

10. OTHER DISCLOSURES

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

The Town does not have any material related party activity.

The Town is not involved in any significant litigation.

The Town does not offer any Other Post Employment Benefits.

In 2011 the Rosholt Housing & Redevelopment Commission (RHRC) received a \$222,500 construction loan from a bank to build a duplex. In 2012 RHRC expects to receive a permanent Rural Electric Economic Development (REED) loan from Traver Electric to pay-off the construction loan.

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2010

GENERAL FUND	Budgeted Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental: Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	64,515		64,515	65,771	1,256
General sales and use taxes	88,285		88,285	55,110	(33,175)
Amusement taxes			0	60	60
Licenses and permits:	225		225	315	90
Intergovernmental receipts:					
Federal shared receipts:					
Grant - ARRA			0	5,000	5,000
State shared receipts:					
Bank franchise tax	295		295	355	60
Liquor tax reversion	2,455		2,455	2,550	95
Motor vehicle licenses (5%)	2,675		2,675	2,948	273
Highway and bridge	9,150		9,150	9,613	463
Port of Entry	355		355		(355)
Charges for goods and services:					
Solid waste	30,730		30,730	34,083	3,353
Fines and forfeits:	200		200	50	(150)
Miscellaneous receipts:					
Interest earned	1,960		1,960	967	(993)
Other	4,475		4,475	18,046	13,571
Total receipts	205,320	0	0	194,868	(10,452)
Disbursements:					
General government:					
General government	22,245		22,245	37,177	(14,932)
Contingency			0		0
Amount transferred			0		0
Finance office	33,650		33,650	38,216	(4,566)
Government buildings	49,000		49,000	82,647	(33,647)
Public safety:					
Police	46,300		46,300	58,355	(12,055)
Fire	4,000		4,000	6,569	(2,569)
Public works:					
Highways and streets	64,785		64,785	116,581	(51,796)
Solid waste	34,900		34,900	33,263	1,637
Culture and recreation:					
Parks and recreation	2,300		2,300	9,451	(7,151)
Total disbursements	257,180	0	0	382,259	(125,079)
Excess of receipts over (under) disbursements	(51,860)	0	0	(51,860)	(187,391)
Other financing sources (uses):					
Transfers in			0	149,667	149,667
Loan proceeds			0	120,000	120,000
Sale of surplus property			0	8,000	8,000
Compensation for damaged property			0	4,950	4,950
Net change in fund cash balance	(51,860)	0	0	95,226	147,086
Fund cash balance (deficit):					
January 1, 2010	(13,964)		(13,964)	(13,964)	0
December 31, 2010	(65,824)	0	0	81,262	147,086

## TOWN OF ROSHOLT

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING DECEMBER 31, 2009

GENERAL FUND	Budgeted Amounts			Actual (Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplemental:		
Receipts:					
Receipts from local sources:					
Taxes:					
Ad valorem taxes	61,735			61,735	6,720
General sales and use taxes	82,625			79,432	(3,193)
Amusement taxes				0	72
Licenses and permits:	270			270	892
Intergovernmental receipts:					
State shared receipts:					
Bank franchise tax	295			295	296
Liquor tax reversion	2,325			2,325	2,505
Motor vehicle licenses (5%)	2,565			2,565	2,139
Highway and bridge	8,950			8,950	9,041
Port of entry	525			525	91
Charges for goods and services:					
Solid waste	30,730			30,730	28,674
Fines and forfeits:	200			200	(200)
Miscellaneous receipts:					
Interest earned	2,635			2,635	1,382
Other	4,300			4,300	19,962
Total receipts	197,155	0	0	197,155	212,850
Disbursements:					
General government:					
General government	29,200			29,200	32,748
Contingency				0	0
Amount transferred				0	0
Finance office	32,515			32,515	31,590
Government buildings	100,000			100,000	486,910
Public safety:					
Police	57,665			57,665	48,267
Fire	10,000			10,000	6,648
Public works:					
Highways and streets	56,850			56,850	86,098
Solid waste	35,600			35,600	32,081
Culture and recreation:					
Parks and recreation	4,800			4,800	558
Total disbursements	326,630	0	0	326,630	724,900
Excess of receipts over (under) disbursements	(129,475)	0	0	(129,475)	(512,050)
Other financing sources (uses):					
Transfers in				0	74,987
Loan proceeds				0	280,000
Net change in fund cash balance	(129,475)	0	0	(129,475)	(157,063)
Fund cash balance:					
January 1, 2009	143,099			143,099	143,099
December 31, 2009	13,624	0	0	13,624	(13,964)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BUDGETARY COMPARISON FOR THE  
GENERAL FUND  
FOR THE TWO YEARS ENDING DECEMBER 31, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town of Rosholt (Town) follows these procedures in establishing the budgetary data reflected in the required 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 2009 and 2010 there were no supplemental budgets to the general fund. See page 19 and 20.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board.

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

The Town did not encumber any amounts at December 31, 2010.

- f. Formal budgetary integration is employed as a management control device for the general fund.
- g. The budget for the general fund is 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 U.S.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 RSI 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.

## TOWN OF ROSHOLT

SCHEDULE OF CHANGES IN LONG-TERM DEBT  
FOR THE TWO YEARS ENDING DECEMBER 31, 2010

	Beginning 12-31-08	2009 Additions (Deletions)	2010 Additions (Deletions)	Governmental	Enterprise	Principal Payments Due in 2011
				Funds	Funds	
				Ending 12-31-10	Ending 12-31-10	
<b>BUSINESS-TYPE</b>						
1998 Water Revenue Bond, Series 1997:						
Original amount of \$150,000						
Maturing in 2035						
Interest at 4.75%						
Monthly payments of \$705						
Paid by the water fund	126,811	(3,220)	(2,739)		120,852	2,720
2009 Corner Bar loan:						
Original amount of \$400,000						
Maturing in 2015						
Interest at 4.50%						
Monthly payments of \$3,000		180,000	120,000			
Paid by the liquor fund	0	0	(10,530)		389,470	18,474
2010 Sewer Project Bond, Series 2009:						
Build America Bond - Direct Pay						
Original amount of \$810,000						
Maturing in 2050						
Interest at 3.25%						
Monthly payments of \$3,022			810,000			
Paid by the sewer fund	0		(10,140)		799,860	10,269
<b>Totals</b>	<b>126,811</b>	<b>176,780</b>	<b>906,591</b>		<b>1,310,182</b>	<b>31,463</b>

## NOTES

- 1) In September 2010 the Town of Rosholt guaranteed 25% of a \$530,000 Essential Function Housing Development Revenue Refunding Bond, Series 2010, for the Rosholt Housing Redevelopment Commission. This bond was purchased by First National Bank, Hawley, Minnesota and has a 30 amortization with a balloon 20 years at 4.50% and monthly payments of \$2,685.43.
- 2) In May 2009 the Town of Rosholt contracted for street paving for \$70,761. Of this amount \$27,337 was paid in 2009, \$21,712 was paid in 2010 and \$21,712 will be paid in 2011.

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT  
AT DECEMBER 31, 2010

	Total Payment	Principal	Interest	Balance
<b>1998 Water Revenue Bond, Series 1997:</b>				
2011	8,460	2,720	5,740	118,132
2012	8,460	2,849	5,611	115,283
2013	8,460	2,984	5,476	112,299
2014	8,460	3,126	5,334	109,173
2015	8,460	3,274	5,186	105,899
2016-2020	42,300	19,157	23,143	86,742
2021-2025	42,300	24,160	18,140	62,582
2026-2030	42,300	30,470	11,830	32,112
2031-2035	36,254	32,112	4,142	0
<b>Totals</b>	<b>205,454</b>	<b>120,852</b>	<b>84,602</b>	
<b>2009 Corner Bar loan:</b>				
2011	36,000	18,474	17,526	370,996
2012	36,000	19,305	16,695	351,691
2013	36,000	20,174	15,826	331,517
2014	36,000	21,082	14,918	310,435
2015	316,156	310,435	5,721	0
<b>Totals</b>	<b>460,156</b>	<b>389,470</b>	<b>70,686</b>	
<b>2010 Sewer Revenue Bond, Series 2010:</b>				
2011	36,264	10,269	25,995	789,591
2012	36,264	10,602	25,662	778,989
2013	36,264	10,947	25,317	768,042
2014	36,264	11,303	24,961	756,739
2015	36,264	11,670	24,594	745,069
2016-2020	181,320	64,591	116,729	680,478
2021-2025	181,320	75,792	105,528	604,686
2026-2030	181,320	88,936	92,384	515,750
2031-2035	181,320	104,088	77,232	411,662
2036-2040	181,320	122,108	59,212	289,554
2041-2045	181,320	143,283	38,037	146,271
2046-2050	159,461	146,271	13,190	0
<b>Totals</b>	<b>1,428,701</b>	<b>799,860</b>	<b>628,841</b>	

TOWN OF ROSHOLT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWO YEARS ENDING DECEMBER 31, 2010

Grantor Program Name -----	CFDA Number -----	2010 Expenditure: -----	2009 Expenditure: -----
Direct Federal Funding:			
Department of Agriculture:			
Rural Development:			
Water and Waste Disposal Systems for Rural Communities:			
Build America Bond - Direct Pay (wastewater project) (note 2)			
Award number: SD-01-WL-Rosholt	ARRA	772,731	37,269
Grant (wastewater project) (note 2)			
Award number: SD-01-WG-Rosholt	ARRA	489,922	-----
Total Department of Agriculture		1,262,653	37,269
		-----	-----
Indirect Federal Funding:			
Department of Justice:			
Passed through the State of South Dakota:			
Edward Byrne Memorial Justice Assistance Grant (JAG) Prc	ARRA	5,000	-----
Total General Services Administration		5,000	0
		-----	-----
Grand Total of Expenditures of Federal Awards		1,267,653	37,269
		=====	=====
Federal loans outstanding at December 31, 2010:			
USDA - Rural Development:			
1998 Water Revenue Bond, Series 1997		120,852	
2010 Sewer Project Bond, Series 2009		799,860	
		-----	
		920,712	
		=====	

Note 1:

This schedule of expenditures of federal awards includes federal grant activity for the Town of Rosholt. It is presented on a cash basis basis of accounting, the same as the Town's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". The information in this schedule is presented on the same basis as the Town's financial statements.

Note 2:

This represents a major federal financial assistance program.

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  
Town of Rosholt  
Rosholt, South Dakota

I have audited the accompanying financial statements of governmental activities, business-type activities, and each major fund, of the Town of Rosholt (Town), Roberts County, South Dakota, as of and for each of the years in the biennial period ended December 31, 2010.

I was not engaged to audit the financial statements of the Rosholt Housing and Redevelopment Commission, which represents 100% of the cash assets, net cash assets, receipts, and disbursements of the discretely presented component unit on the government-wide statement of net cash assets and statement of cash activities.

These statements collectively comprise the Town's basic financial statements. I have issued my report thereon dated November 22, 2011. The report issued a disclaimer of opinion on the Rosholt Housing and Redevelopment Commission, the government-wide business-type activities and on the liquor fund. The report issued unqualified opinions on government-wide governmental activities and on each major fund except the liquor fund.

I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Town of Rosholt'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and responses as items 2010-01, 2010-02, 2010-03 and 2010-04.

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

I did note other minor matters involving compliance that I reported to the governing body and management of the Town of Rosholt in a separate Letter of Comments dated November 22, 2011.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

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 Town of Rosholt's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-02, 2010-03, 2010-04, and 2010-05 to be material weaknesses.

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. I consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2010-06 to be a significant deficiency.

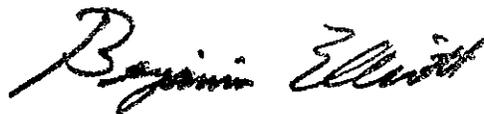
Management responses to these findings identified in my audit are described in the accompanying schedule of current audit findings and questioned costs. I did not audit management responses and, accordingly, I express no opinion on them.

I did note other matters involving internal control over financial reporting that I reported to the governing body and management of the Town of Rosholt in a separate Letter of Comments dated November 22, 2011.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the Town of Rosholt and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 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

November 22, 2011



REPORT ON  
COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board  
Town of Rosholt  
Rosholt, South Dakota

INDEPENDENT AUDITOR'S REPORT

Compliance:

I have audited Town of Rosholt, Roberts County, South Dakota, (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the two years ended December 31, 2010. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs (page 28). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. My responsibility is to express an opinion on the Town's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town's compliance with those requirements.

In my opinion, the Town of Rosholt, Roberts County, South Dakota complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the two years ended December 31, 2010.

Internal Control Over Compliance:

Management of the Town of Rosholt is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

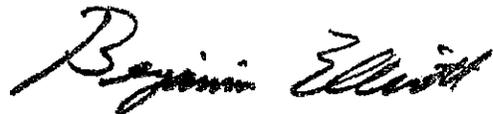
However, I did identify deficiencies in internal control over compliance, described in the accompanying schedule of current audit findings and questioned cost as items 2010-07 and 2010-08 that I consider to be significant deficiencies in internal control over compliance. A significant deficiency is a 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.

Management responses to the finding identified in my audit are described in the accompanying schedule of current audit findings and questioned costs. I did not audit the management responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the governing board and management of the Town of Rosholt, the South Dakota Legislature and state granting agencies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 4-11-11 and OMB Circular A-133 sec. \_\_\_ .320, this report is a matter of public record and its distribution is not limited.

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

November 22, 2011



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:

The prior audit report was not subject to Single Audit reporting requirements.

Prior Other Audit Findings:

There are have been no recent audits.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:

Disclaimer of Opinion on:  
Business-Type Activities  
Liquor Fund  
Qualified Opinion on:  
Governmental Activities  
General Fund  
Water Fund  
Sewer Fund

Noncompliance noted:

Items: 2010-01,-02,-03,-04

Internal control over financial reporting:

\* Material weakness(es) identified?

Items: 2010-01,-02,-03,-04,  
and -05

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Items: 2010-06

Federal Awards

Noncompliance material to major federal  
program identified?

None Reported

Internal control over major programs:

\* Material weakness(es) identified?

None Reported

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses?

Items: 2010-07 and -08

Type of auditor's report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance with  
section 510(a) of OMB Circular A-133?

Items: 2010-07 and -08

Identification of major programs:

CFDA 10.781 -- Water and Waste Disposal Systems  
for Rural Communities (ARRA)

Dollar threshold used to distinguish between  
type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee:

No

Part II - Findings Relating to the Financial Statements

Finding 2010-01: General Fund Budget Overdraft.  
(compliance and internal control)

*Criteria:*

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The Town is prohibited from spending in excess of appropriated amounts by department within a fund.

*Condition:*

In 2009 and 2010 these Town general fund departments exceeded their budget by the following amounts.

General Fund:	2010	2009
General government	14,932	3,548
Finance office	4,566	
Government buildings	33,647	386,910
Police	12,055	
Fire	2,569	
Streets	51,796	29,248
Parks and recreation	7,151	
	-----	-----
	126,716	419,706

*Questioned Costs:*

None reported.

*Possible Effect:*

Expenditures in excess of a budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. SDCL 9-21-9 and 9-21-10

*Recommendation:*

I recommend the Town stay within its budget, using contingency transfers and supplemental appropriations to adjust departmental budget line items as needed.

*Management Response:*

In the future, the Town expects to use contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

Finding 2010-02: Check Signatures.  
(compliance and internal control)

*Criteria:*

SDCL 9-14-17, 9-14-18, 9-23-3, and 9-23-7 requires all checks to be signed by the President of the Board of Trustees and the finance officer.

*Condition:*

Checks written from the Town's Corner Bar, Lottery, Community Center, and Sewer Project checking accounts were not signed by both of these persons.

*Questioned Costs:*

None reported.

*Possible Effect:*

A single signature on a check can lead to misappropriation of funds.

*Recommendation:*

I recommend that all checks be signed by the President of the Board of Trustees and the finance officer.

*Management Response:*

Management agrees with this recommendation.

Part II - Findings Relating to the Financial Statements (continued)

Finding 2010-03: Accounting Controls  
(compliance and internal control)

*Criteria:*

SDCL 9-14-17 and 9-14-18 requires the finance officer to keep regular books of account for all financial transactions. The fundamental "books of account" of any accounting system is a general ledger.

*Condition:*

The Town does not have a general ledger to which all financial transactions are posted.

*Possible Effect:*

Not having a general ledger can result in a misstatement of the financial statements and possible misappropriation of funds.

*Recommendations:*

I recommend the Town establish a general ledger to which all financial transactions are posted.

*Management Response:*

Management will consider this recommendation.

Finding 2010-04: Check Register  
(compliance and internal control)

*Criteria:*

SDCL 9-22-18 and 9-23-8 requires the Town's check register to list the name of the person or organization paid.

*Condition:*

The Town's check register does not list, on the check register, the name of the person or organization paid.

*Possible Effect:*

A check register that does not list the person or organization paid can lead to misappropriation of funds.

*Recommendations:*

I recommend the Town establish a check register which includes the name of the person or organization paid.

*Management Response:*

Management will consider this recommendation.

Finding 2010-05: Annual Report Cash  
(internal control)

*Criteria:*

Annual report cash should equal the Town's book cash.

*Condition:*

The Town's annual report checking cash equals bank cash and is not adjusted for deposits-in-transit or outstanding checks. These audited financial statements have been adjusted for deposits-in-transit and outstanding checks.

Part II - Findings Relating to the Financial Statements (continued)

*Possible Effect:*

Using bank cash balances rather than book cash balances will result in a misstatement of the Town's financial statements.

*Recommendations:*

The Town's annual report checking cash should be adjusted for deposits-in-transit and outstanding checks.

*Management Response:*

Management agrees with this recommendation.

Finding 2010-06: Financial Statement Preparation  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The Town has elected not to have an internal control system designed to prepare the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Possible Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendations:*

This situation is not unusual for an entity of the Town's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

Due to cost constraints, the Town will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

Part III - Findings Relating to the Federal Awards

Finding 2010-07: Late Filing of Data Collection Form  
(significant deficiency internal control reporting only)

*Criteria:*

OMB Circular A-133 requires the Data Collection Form (SF-SAC) to be filed within 9 months of the end of the last year audited.

*Condition:*

The Town did not file the Data Collection Form for this audit within the required 9 months.

*Questioned Costs:*

None

Part III - Findings Relating to the Federal Awards (continued)

*Possible Effect:*

The Town's financial statement is not affected by the late filing of the Data Collection Form.

*Recommendation:*

I recommend the Town file the Data Collection Form within the required 9 months when more than \$500,000 of federal financial assistance is expended in a year.

*Management Response:*

Management agrees with this recommendation.

*Corrective Action Plan:*

The Town's finance officer, Tom Vergeldt, will be responsible for implementing this recommendation the next time the Town is subject to OMB Circular A-133 Single Audit requirements.

Finding 2010-08: Rental of Equipment Owned by Town  
(significant deficiency internal control reporting only)

*Criteria:*

OMB Circular A-133, Part 4-10.760, Activities Allowed or Unallowed, line 2(f), does not allow grant funds to be used to pay for rental of equipment owned by an applicant.

*Condition:*

The Town rented its Volvo L70 wheelloader to the general contractor of the wastewater improvement project for 60 hours for \$3,150.

*Questioned Costs:*

Unallowed rental of Town equipment for \$3,150.

*Possible Effect:*

Unallowed costs can jeopardize grant funding.

*Recommendation:*

I recommend the Town file not rent equipment it owns to parties that will be paid from CFDA 10.760 or 10.781 loan or grant funds.

*Management Response:*

Management agrees with this recommendation.

*Corrective Action Plan:*

The Town's finance officer, Tom Vergeldt, will be responsible for implementing this recommendation the next time the Town is subject to OMB Circular A-133 Single Audit requirements for Activities Allowed or Unallowed under CFDA 10.760 or 10.781.