

**CITY OF SISSETON, SOUTH DAKOTA**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2014**

**CITY OF SISSETON**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Commission  
City of Sisseton, South Dakota

**Report on Financial Statements**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Sisseton, South Dakota**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Sisseton, South Dakota's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sisseton Housing and Redevelopment Commission of the City of Sisseton, South Dakota, which represents all of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sisseton, South Dakota, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other post employment benefit funding progress on pages 4-11, pages 50-54, and page 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required 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 information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sisseton, South Dakota's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining nonmajor fund financial statements are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the City of Sisseton, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sisseton, South Dakota's internal control of financial reporting and compliance.

*Wohlschlag Ritzman & Co LLC*  
Yankton, South Dakota ✓  
December 21, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Sisseton's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$597,018 more than the \$1,731,266 governmental expenses.
- The total cost of the City's governmental activities' programs decreased by 2.48%.
- In the City's business-type activities, revenue decreased by 3.17% to \$2,216,985 with expenses also decreasing by 4.04% to \$1,787,211.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- 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.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has four proprietary funds – the Liquor Fund, the Water Fund, the Sewer Fund and the Solid Waste Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**

**Figure A-2  
Major Features of Sisseton's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds and the fiduciary component units)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, (the water, sewer, solid waste systems and liquor store)
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term debt	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets and debt included	All assets and liabilities, both financial and capital, and short-term and long-term debt
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes the most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water, sewer, solid waste and liquor systems are included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

### **Net Position**

The City's combined net position increased by 7% between fiscal year 2013 and 2014 – increasing by \$1,026,792. (See Table A-1).

The Condensed Statement of Net Position table shows an 8% increase in the net position of the governmental activities and a 5% increase in the Business-Type Activities.

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and Other Assets	\$ 3,772,743	\$ 4,458,538	\$ 4,218,070	\$ 4,768,373	\$ 7,990,813	\$ 9,226,911
Capital Assets	4,564,368	4,503,579	3,546,381	3,513,732	8,110,749	8,017,311
<b>Total Assets</b>	<b>8,337,111</b>	<b>8,962,117</b>	<b>7,764,451</b>	<b>8,282,105</b>	<b>16,101,562</b>	<b>17,244,222</b>
Long-Term Liabilities	268,867	234,959	28,607	34,574	297,474	269,533
Other Liabilities	41,123	28,019	118,662	275,575	159,785	303,594
<b>Total Liabilities</b>	<b>309,990</b>	<b>262,978</b>	<b>147,269</b>	<b>310,149</b>	<b>457,259</b>	<b>573,127</b>
Net investment in capital assets	4,328,412	4,305,261	3,546,381	3,513,732	7,874,793	7,818,993
Restricted	148,573	212,534	-	-	148,573	212,534
Unrestricted	3,550,136	4,181,344	4,070,801	4,458,224	7,620,937	8,639,568
<b>Total Net Position</b>	<b>\$ 8,027,121</b>	<b>\$ 8,699,139</b>	<b>\$ 7,617,182</b>	<b>\$ 7,971,956</b>	<b>\$ 15,644,303</b>	<b>\$ 16,671,095</b>
Beginning Net Position	7,515,185	8,027,121	7,265,041	7,617,182	14,780,226	15,644,303
Change in Net Position	\$ 511,936	\$ 672,018	\$ 352,141	\$ 354,774	\$ 864,077	\$ 1,026,792
Percentage Change	7%	8%	5%	5%	6%	7%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable and sales tax revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City's assets and liabilities is its net position.

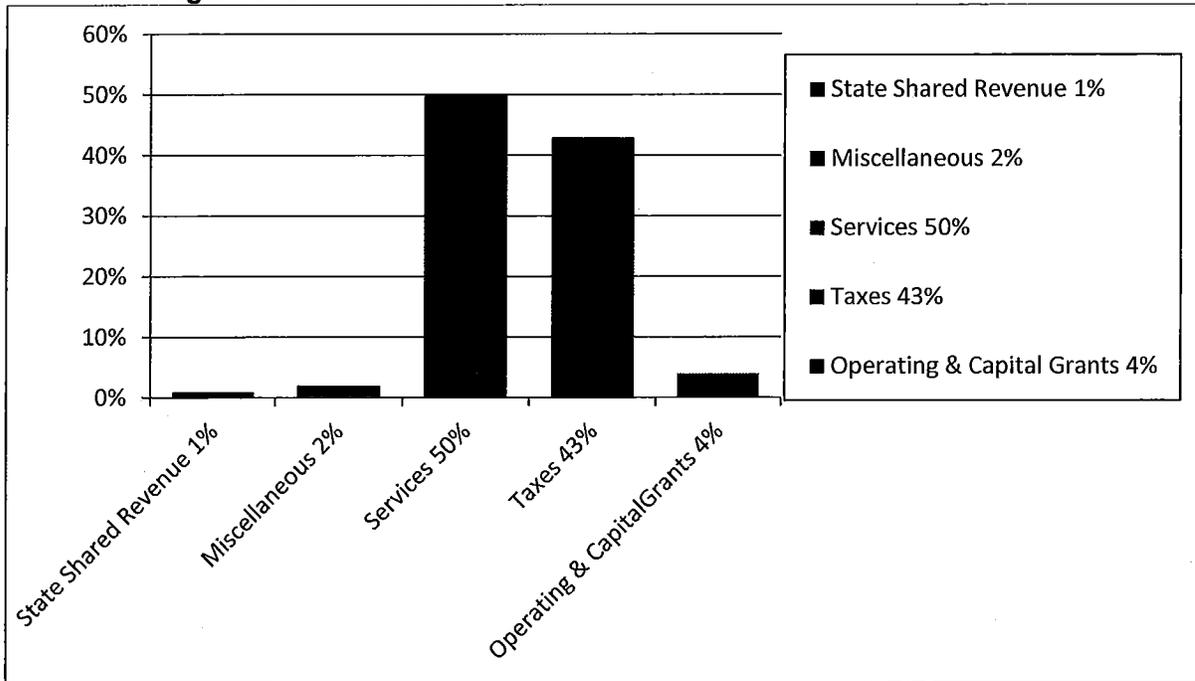
### Changes in Net Position

The City's revenues totaled \$4,545,269. The total revenue increased \$43,492. (See Table A-2.) Well over half of the City's revenue comes from charges for services and taxes, with 50 cents of every dollar raised coming from charges for services (liquor, water, sewer and solid waste operations) and 43 cents of every dollar raised comes from some type of tax. (See figure A-3). The rest comes from state and federal grants for operating and capital purposes and from state-shared revenues and miscellaneous revenue.

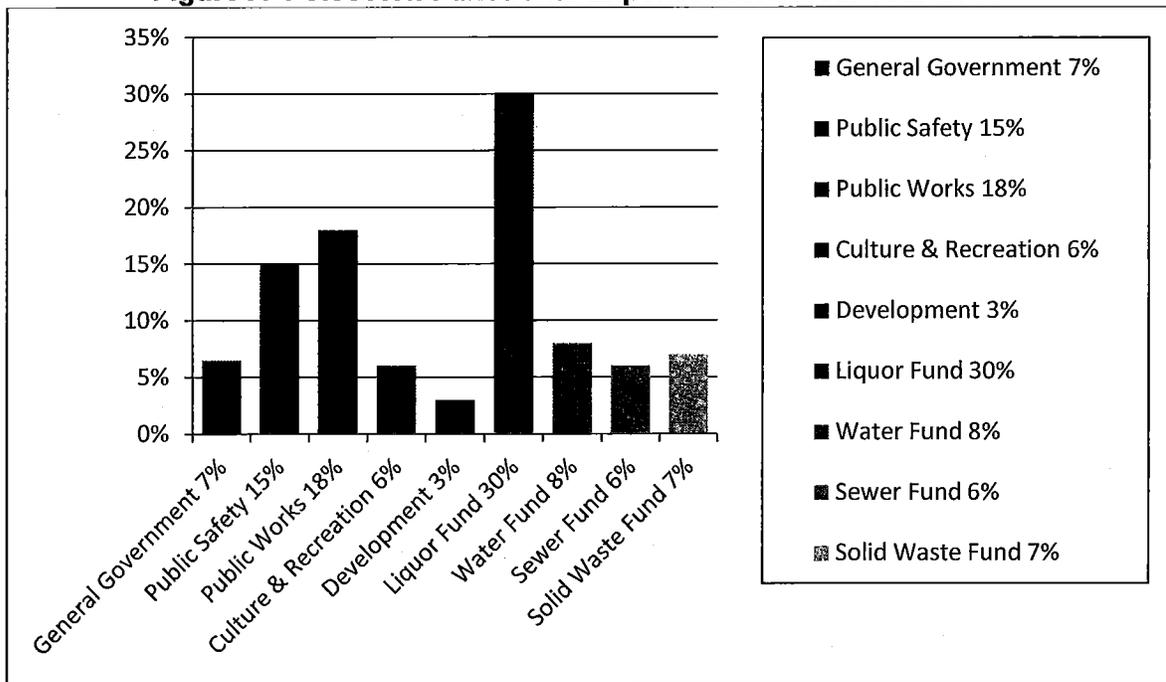
- The total cost of all programs and services decreased by \$119,223. The City's expenses cover a range of services, with nearly 40% related to public work services (road maintenance, water services, solid waste services and sewer system services) (See figure A-4).

Table A-2 and the narrative that follows consider the operations of the Governmental and Business-Type Activities.

**Figure A-3 Sisseton Sources of Revenues for Fiscal Year 2014**



**Figure A-4 Sisseton Functional Expenses for Fiscal Year 2014**



**Governmental Activities**

Revenues of the City's Governmental Activities increased 5.25% and expenses decreased 2.48%. Factors contributing to these results included:

- The primary reason for the increase in revenues was an increase in both Operating and Capital Grants. There was an increase in property tax revenue as well as charges for services.
- The primary reason for the decrease in expenses was due to decreases in Public Safety and Development.

## Business-type Activities

Revenues of the City's Business-Type Activities decreased 3.17% from 2013 with total revenues of \$2,216,985 and expenses decreased 4.04% with total expenses of \$1,787,211.

Revenues from utility services (water, sewer, garbage) decreased 3.18% from 2013. There was a decrease in revenues from liquor sales from 2013 of 4.11%.

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 59,546	\$ 87,514	\$ 2,271,600	\$ 2,187,673	\$ 2,331,146	\$ 2,275,187
Operating Grants	91,415	100,542	-	-	91,415	100,542
Capital Grants	11,061	52,498	-	-	11,061	52,498
General Revenues						
Taxes	1,880,396	1,956,885	-	-	1,880,396	1,956,885
State Shared Revenues	37,470	41,092	-	-	37,470	41,092
Investment Earnings	3,169	3,037	3,678	3,484	6,847	6,521
Miscellaneous	129,114	86,716	14,328	25,828	143,442	112,544
<b>Total Revenues</b>	<b>2,212,171</b>	<b>2,328,284</b>	<b>2,289,606</b>	<b>2,216,985</b>	<b>4,501,777</b>	<b>4,545,269</b>
<b>Expenses</b>						
General Government	223,580	226,056	-	-	223,580	226,056
Public Safety	557,658	530,549	-	-	557,658	530,549
Public Works	640,345	643,509	-	-	640,345	643,509
Health and Welfare	10,971	10,920	-	-	10,971	10,920
Culture and Recreation	199,231	204,943	-	-	199,231	204,943
Development	140,943	115,289	-	-	140,943	115,289
Interest & Fiscal Charges	2,507	-	-	-	2,507	-
Liquor Fund	-	-	1,114,113	1,062,513	1,114,113	1,062,513
Water Fund	-	-	295,891	270,640	295,891	270,640
Sewer Fund	-	-	208,786	224,794	208,786	224,794
Solid Waste Fund	-	-	243,675	229,264	243,675	229,264
<b>Total Expenses</b>	<b>1,775,235</b>	<b>1,731,266</b>	<b>1,862,465</b>	<b>1,787,211</b>	<b>3,637,700</b>	<b>3,518,477</b>
<b>Excess Before Transfers</b>	<b>436,936</b>	<b>597,018</b>	<b>427,141</b>	<b>429,774</b>	<b>864,077</b>	<b>1,026,792</b>
<b>Transfers</b>	<b>75,000</b>	<b>75,000</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>511,936</b>	<b>672,018</b>	<b>352,141</b>	<b>354,774</b>	<b>864,077</b>	<b>1,026,792</b>
<b>Beginning Net Position</b>	<b>7,515,185</b>	<b>8,027,121</b>	<b>7,265,041</b>	<b>7,617,182</b>	<b>14,780,226</b>	<b>15,644,303</b>
<b>Ending Net Position</b>	<b>\$ 8,027,121</b>	<b>\$ 8,699,139</b>	<b>\$ 7,617,182</b>	<b>\$ 7,971,956</b>	<b>\$ 15,644,303</b>	<b>\$ 16,671,095</b>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains two governmental funds – General and Lodging Sales Tax, and four business type funds – Water, Sewer, Sanitation and Liquor Funds.

### GENERAL BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget one time. This amendment fell into one category:

- Contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.

### CAPITAL ASSET ADMINISTRATION

By the end of 2014, the City had invested \$8,017,311 net of depreciation, in a broad range of capital assets, including, land, buildings, various machinery and equipment (See Table A-3). This amount represents a net decrease (including additions and deductions) of \$93,438, or 1.15%, over the last year.

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
	Land	\$ 159,247	\$ 159,247	\$ 234,602	\$ 234,602	\$ 393,849
Construction in Progress	66,258	77,978	-	199,479.00	66,258	277,457
Infrastructure	2,720,966	2,621,777	-	-	2,720,966	2,621,777
Buildings and Structures	1,063,179	1,026,625	1,675,333	1,556,517	2,738,512	2,583,142
Furniture and Equipment	554,718	617,952	1,636,446	1,523,134	2,191,164	2,141,086
Capital Assets (net)	\$ 4,564,368	\$ 4,503,579	\$ 3,546,381	\$ 3,513,732	\$ 8,110,749	\$ 8,017,311

This year's major capital asset additions included:

- In the Governmental Activities there were chip seal and street patching projects, a storm sewer study was conducted, new carpet was installed in the library basement, equipment was purchased for the 2004 fire freightliner, as well as the purchase of a new police department vehicle, Leeboy snow loader, Hiniker sand spreader and Country Clipper lawn mower. Construction in progress includes professional services for an ongoing airport land acquisition and professional services for the design of a drainage channel.
- In the Business-Type Activities there was a water & wastewater study conducted and the purchase of a Trimble Ranger handheld meter reader. Construction in progress includes professional services and construction on a wastewater treatment project.

## LONG-TERM LIABILITIES

At the year-end the City had \$198,318 in a Tax Incremental Revenue Bond and other long-term obligations. This is a decrease of 15.95% as shown on Table A-4 below.

	Governmental Activities		Business-Type Activities		Total Change	
	2013	2014	2013	2014	Dollar Amount	Percentage Amount
Revenue Bonds	\$ 235,956	\$ 198,318	\$ -	\$ -	\$ (37,638)	-15.95%
Compensated Absences	32,911	36,641	28,607	34,574	9,697	15.76%
Total Long-Term Liabilities	\$ 268,867	\$ 234,959	\$ 28,607	\$ 34,574	\$ (27,941)	-9.39%

The city has outstanding \$198,318 in Tax Incremental Revenue Bond TIF #1. These bonds are secured and paid for from the property taxes imposed and collected on the Tax Incremental District #1. These bonds were used for improvements to the infrastructure at Woodland Cabinetry and will be fully paid off on December 25, 2022.

The City is liable for the accrued vacation leave payable to all full-time employees who have been employed for more than one year. The increase is due to an increase in the amount of leave accumulated and outstanding at the end of the year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower. The City Council decided to make no change in the property tax levy.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city has experienced a 2% decrease in general sales tax revenue from the previous year, as well as a 3.2% increase in the 1% gross receipts sales tax.

The City's adopted General Fund budget for the next fiscal year will decrease 7.3% or \$158,260 to \$2,006,790. Decrease in the budget is mainly due to budgeting for snow removal equipment purchased in 2014.

The City's business-type activities (water, sewer, solid waste and liquor operations) expect that the results for 2015 will remain stable. Water, sewer and garbage rates were increased approximately 10% in order to convert to a monthly billing cycle as well as plans for future improvements.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Sisseton Finance Office, 406 2<sup>nd</sup> Ave. West, Sisseton, SD 57262.

**CITY OF SISSETON**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,372,537	\$ 2,806,197	\$ 4,178,734	\$ 284,528
Certificates of deposit	249,800	1,498,900	1,748,700	-
Investments	2,478,520	-	2,478,520	-
Receivables, net	62,118	315,079	377,197	3,908
Due from other governments	197,173	-	197,173	18,943
Inventories	9,666	126,372	136,038	-
Prepaid expenses	31,495	14,647	46,142	2,700
Deposits	44,466	-	44,466	14,055
Restricted assets:				
Mortgage escrow and reserve deposits	-	-	-	468,694
Net OPEB obligation (asset)	12,763	7,178	19,941	-
Capital assets:				
Capital assets not being depreciated	237,225	434,081	671,306	71,224
Capital assets being depreciated, net	4,266,354	3,079,651	7,346,005	766,548
Total capital assets	<u>4,503,579</u>	<u>3,513,732</u>	<u>8,017,311</u>	<u>837,772</u>
Total assets	<u>8,962,117</u>	<u>8,282,105</u>	<u>17,244,222</u>	<u>1,630,600</u>
<b>LIABILITIES</b>				
Accounts payable	19,663	272,540	292,203	21,167
Accrued expenses	8,356	2,474	10,830	18,645
Customer deposits	-	-	-	12,359
Unearned revenue	-	561	561	7,353
Long-term liabilities:				
Portion due or payable within one year:				
Bonds payable	25,714	-	25,714	-
Notes payable	-	-	-	19,788
Compensated absences	21,985	20,744	42,729	4,894
Portion due or payable after one year:				
Bonds payable	172,604	-	172,604	-
Notes payable	-	-	-	41,240
Compensated absences	14,656	13,830	28,486	4,515
Total liabilities	<u>262,978</u>	<u>310,149</u>	<u>573,127</u>	<u>129,961</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,305,261	3,513,732	7,818,993	776,744
Restricted for:				
Debt covenant	-	-	-	468,694
Debt service	37,638	-	37,638	-
Economic development	130,430	-	130,430	-
Insurance deposit	44,466	-	44,466	-
Unrestricted	<u>4,181,344</u>	<u>4,458,224</u>	<u>8,639,568</u>	<u>255,201</u>
Total net position	<u>\$ 8,699,139</u>	<u>\$ 7,971,956</u>	<u>\$ 16,671,095</u>	<u>\$ 1,500,639</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 226,056	\$ 12,385	\$ -	\$ -	\$ (213,671)		\$ (213,671)	
Public safety	530,549	29,221	-	-	(501,328)		(501,328)	
Public works	643,509	36,632	100,542	52,498	(453,837)		(453,837)	
Health and welfare	10,920	265	-	-	(10,655)		(10,655)	
Culture and recreation	204,943	9,011	-	-	(195,932)		(195,932)	
Conservation and development	115,289	-	-	-	(115,289)		(115,289)	
Total governmental activities	<u>1,731,266</u>	<u>87,514</u>	<u>100,542</u>	<u>52,498</u>	<u>(1,490,712)</u>		<u>(1,490,712)</u>	
Business-type activities:								
Liquor	1,062,513	1,209,844	-	-	-	\$ 147,331	147,331	
Water	270,640	399,444	-	-	-	128,804	128,804	
Waste water	224,794	322,698	-	-	-	97,904	97,904	
Solid waste	229,264	255,687	-	-	-	26,423	26,423	
Total business-type activities	<u>1,787,211</u>	<u>2,187,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,462</u>	<u>400,462</u>	
Total primary government	<u>\$ 3,518,477</u>	<u>\$ 2,275,187</u>	<u>\$ 100,542</u>	<u>\$ 52,498</u>	<u>(1,490,712)</u>	<u>400,462</u>	<u>(1,090,250)</u>	
<b>Component Unit:</b>								
Sisseton Housing and Redevelopment	<u>\$ 601,648</u>	<u>\$ 306,165</u>	<u>\$ 206,262</u>	<u>\$ 17,351</u>				<u>\$ (71,870)</u>
General revenues:								
Taxes:								
Property taxes					927,906	-	927,906	-
Sales taxes					1,028,979	-	1,028,979	-
State and county shared revenues					41,092	-	41,092	-
Unrestricted investment earnings					3,037	3,484	6,521	16,772
Miscellaneous					86,716	25,828	112,544	-
Transfers					75,000	(75,000)	-	-
Total general revenues and transfers					<u>2,162,730</u>	<u>(45,688)</u>	<u>2,117,042</u>	<u>16,772</u>
Change in net position					672,018	354,774	1,026,792	(55,098)
Net position - beginning					<u>8,027,121</u>	<u>7,617,182</u>	<u>15,644,303</u>	<u>1,555,737</u>
Net position - ending					<u>\$ 8,699,139</u>	<u>\$ 7,971,956</u>	<u>\$ 16,671,095</u>	<u>\$ 1,500,639</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SISSETON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,212,540	\$ 159,997	\$ 1,372,537
Certificates of deposit	249,800	-	249,800
Investments	2,478,520	-	2,478,520
Receivables, (net of allowances for uncollectibles, if any);			
Property taxes - delinquent	54,065	-	54,065
Accounts	6,484	-	6,484
Interest	1,521	48	1,569
Due from other governments	189,150	8,023	197,173
Inventory	9,666	-	9,666
Prepaid expenses	31,495	-	31,495
Deposits	44,466	-	44,466
<b>Total assets</b>	<b><u>\$ 4,277,707</u></b>	<b><u>\$ 168,068</u></b>	<b><u>\$ 4,445,775</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 19,663	\$ -	\$ 19,663
Accrued expenses	8,356	-	8,356
Total liabilities	<u>28,019</u>	<u>-</u>	<u>28,019</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	54,065	-	54,065
Total inflows of resources	<u>54,065</u>	<u>-</u>	<u>54,065</u>
<b>Fund balance:</b>			
<b>Nonspendable</b>			
Inventory	9,666	-	9,666
Prepaid expenses	31,495	-	31,495
Insurance deposit	44,466	-	44,466
<b>Restricted:</b>			
Economic development	-	130,430	130,430
Debt service	-	37,638	37,638
<b>Assigned:</b>			
Capital outlay	170,300	-	170,300
Unassigned	3,939,696	-	3,939,696
<b>Total fund balances</b>	<b><u>4,195,623</u></b>	<b><u>168,068</u></b>	<b><u>4,363,691</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 4,277,707</u></b>	<b><u>\$ 168,068</u></b>	<b><u>\$ 4,445,775</u></b>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

Total fund balances for governmental funds		\$ 4,363,691
Total net assets reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 159,247	
Construction in progress	77,978	
Building and improvements, net of \$660,390 accumulated depreciation	1,026,625	
Equipment, net of \$1,285,137 accumulated depreciation	617,952	
Infrastructure, net of \$2,289,939 accumulated depreciation	<u>2,621,777</u>	
Total capital assets		4,503,579
Assets such as taxes receivable and special assessment receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		
		54,065
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in current period and therefore are not reported in the funds. Balances at December 31, 2014 are:		
Bonds payable	\$ 198,318	
Net OPEB obligation (asset)	(12,763)	
Compensated absences	<u>36,641</u>	
Total long-term liabilities		<u>(222,196)</u>
Total net position of governmental activities		<u>\$ 8,699,139</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,812,777	\$ 145,919	\$ 1,958,696
Licenses and permits	12,385	-	12,385
Intergovernmental revenue	188,743	5,389	194,132
Charges for goods and services	55,256	-	55,256
Fines and fees	1,191	-	1,191
Miscellaneous revenue	<u>102,981</u>	<u>90</u>	<u>103,071</u>
<b>Total revenues</b>	<u>2,173,333</u>	<u>151,398</u>	<u>2,324,731</u>
<b>EXPENDITURES</b>			
General government	196,154	-	196,154
Public safety	462,296	-	462,296
Public works	366,160	-	366,160
Health and welfare	10,211	-	10,211
Culture and recreation	192,835	-	192,835
Conservation and development	65,490	49,799	115,289
Debt service:			
Principal	-	37,638	37,638
Capital outlay	<u>341,299</u>	<u>-</u>	<u>341,299</u>
<b>Total expenditures</b>	<u>1,634,445</u>	<u>87,437</u>	<u>1,721,882</u>
Excess of revenues over expenditures	<u>538,888</u>	<u>63,961</u>	<u>602,849</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	75,000	-	75,000
Sale of surplus property	<u>5,364</u>	<u>-</u>	<u>5,364</u>
<b>Total other financing sources</b>	<u>80,364</u>	<u>-</u>	<u>80,364</u>
Net change in fund balances	619,252	63,961	683,213
<b>CHANGE IN NONSPENDABLE</b>	7,594	-	7,594
Fund balances - beginning	<u>3,568,777</u>	<u>104,107</u>	<u>3,672,884</u>
Fund balances - ending	<u>\$ 4,195,623</u>	<u>\$ 168,068</u>	<u>\$ 4,363,691</u>

The accompanying notes are an  
integral part of these financial statements

**CITY OF SISSETON**

**RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds		\$ 683,213
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$402,088) exceeded capital outlay (\$341,299) in the current period.		(60,789)
Governmental funds recognize property taxes as revenue in the fiscal period for which they were levied provided they are collected within 45 days, but the statement of activities includes the property taxes as revenue in the period for which the taxes are levied.		(1,811)
Individual governmental funds recognize inventory using the purchase method. In the the government wide financial statements, however, inventory is presented using the consumption method. This adjustment recognizes the change in inventory in the individual governmental funds.		7,594
Bond proceeds are reported as financing sources in governmental funds and thus contributed to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Repayments:		
Bonds	\$ <u>37,638</u>	37,638
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustment combines the net changes of these balances:		
Compensated absences	\$ (3,730)	
Net OPEB obligation (asset)	<u>9,903</u>	
Combined adjustment		<u>6,173</u>
Change in net position of governmental activities		\$ <u>672,018</u>

The accompanying notes are an  
integral part of these financial statements

CITY OF SISSETON

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 760,262	\$ 896,378	\$ 946,404	\$ 203,153	\$ 2,806,197
Certificates of deposit	-	900,000	598,900	-	1,498,900
Receivables, (net of allowances for uncollectibles, if any):					
Accounts	18,967	115,630	99,156	79,523	313,276
Interest	328	739	648	88	1,803
Inventories:					
Supplies	-	21,817	2,418	-	24,235
Resale	102,137	-	-	-	102,137
Prepaid expenses	6,279	3,605	1,778	2,985	14,647
Total current assets	<u>887,973</u>	<u>1,938,169</u>	<u>1,649,304</u>	<u>285,749</u>	<u>4,761,195</u>
Noncurrent assets:					
Net OPEB obligation (asset)	1,795	1,196	1,196	2,991	7,178
Capital assets:					
Land	6,843	17,776	209,983	-	234,602
Construction in progress	-	-	199,479	-	199,479
Buildings and improvements	138,072	1,828,043	3,367,211	203,744	5,537,070
Machinery and equipment	1,570	2,682,563	677,750	263,380	3,625,263
Less accumulated depreciation	(40,968)	(2,831,905)	(2,849,443)	(360,366)	(6,082,682)
Total noncurrent assets	<u>107,312</u>	<u>1,697,673</u>	<u>1,606,176</u>	<u>109,749</u>	<u>3,520,910</u>
Total assets	<u>995,285</u>	<u>3,635,842</u>	<u>3,255,480</u>	<u>395,498</u>	<u>8,282,105</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	92,745	4,159	164,479	11,157	272,540
Accrued wages payable	755	483	484	752	2,474
Unearned revenue	-	-	-	561	561
Compensated absences - current portion	5,842	4,940	-	9,962	20,744
Total current liabilities	<u>99,342</u>	<u>9,582</u>	<u>164,963</u>	<u>22,432</u>	<u>296,319</u>
Noncurrent liabilities:					
Compensated absences	3,894	3,294	-	6,642	13,830
Total noncurrent liabilities	<u>3,894</u>	<u>3,294</u>	<u>-</u>	<u>6,642</u>	<u>13,830</u>
Total liabilities	<u>103,236</u>	<u>12,876</u>	<u>164,963</u>	<u>29,074</u>	<u>310,149</u>
<b>NET POSITION</b>					
Investment in capital assets	105,517	1,696,477	1,604,980	106,758	3,513,732
Unrestricted	786,532	1,926,489	1,485,537	259,666	4,458,224
Total net position	<u>\$ 892,049</u>	<u>\$ 3,622,966</u>	<u>\$ 3,090,517</u>	<u>\$ 366,424</u>	<u>\$ 7,971,956</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SISSETON**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	Enterprise Funds				Total
	Liquor	Water	Waste Water	Solid Waste	
<b>OPERATING REVENUES</b>					
Charges for goods and services					
Ordinary revenues	\$ 1,209,844	\$ 399,444	\$ 322,698	\$ 255,687	\$ 2,187,673
Total operating revenues	<u>1,209,844</u>	<u>399,444</u>	<u>322,698</u>	<u>255,687</u>	<u>2,187,673</u>
<b>OPERATING EXPENSES</b>					
Personal services	111,223	57,014	56,353	110,018	334,608
Cost and materials	923,979	72,344	14,539	89,099	1,099,961
Other current expenses	24,028	12,069	34,043	23,874	94,014
Depreciation	3,283	129,213	119,859	6,273	258,628
Total operating expenses	<u>1,062,513</u>	<u>270,640</u>	<u>224,794</u>	<u>229,264</u>	<u>1,787,211</u>
Operating income	<u>147,331</u>	<u>128,804</u>	<u>97,904</u>	<u>26,423</u>	<u>400,462</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	634	1,431	1,249	170	3,484
Rental income	-	-	13,828	-	13,828
Other revenue	-	6,000	6,000	-	12,000
Total nonoperating revenues (expenses)	<u>634</u>	<u>7,431</u>	<u>21,077</u>	<u>170</u>	<u>29,312</u>
Income before contributions and transfers	<u>147,965</u>	<u>136,235</u>	<u>118,981</u>	<u>26,593</u>	<u>429,774</u>
Transfer out	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Change in net position	72,965	136,235	118,981	26,593	354,774
Net position - beginning	<u>819,084</u>	<u>3,486,731</u>	<u>2,971,536</u>	<u>339,831</u>	<u>7,617,182</u>
Net position - ending	<u>\$ 892,049</u>	<u>\$ 3,622,966</u>	<u>\$ 3,090,517</u>	<u>\$ 366,424</u>	<u>\$ 7,971,956</u>

The accompanying notes are an  
integral part of these financial statements

CITY OF SISSETON

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - PAGE 1 OF 2  
 YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 1,204,806	\$ 399,861	\$ 322,178	\$ 254,709	\$ 2,181,554
Payments to suppliers	(950,179)	(87,136)	(48,564)	(113,683)	(1,199,562)
Payments to employees	(111,240)	(57,131)	(57,130)	(107,941)	(333,442)
Net cash provided by operating activities	<u>143,387</u>	<u>255,594</u>	<u>216,484</u>	<u>33,085</u>	<u>648,550</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out	(75,000)	-	-	-	(75,000)
Net cash (used in) noncapital financing activities	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Other receipts	-	6,000	19,828	-	25,828
Purchase of capital assets	-	(17,500)	(44,000)	-	(61,500)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(11,500)</u>	<u>(24,172)</u>	<u>-</u>	<u>(35,672)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	495	1,094	946	130	2,665
Net cash provided by investing activities	<u>495</u>	<u>1,094</u>	<u>946</u>	<u>130</u>	<u>2,665</u>
Net increase in cash and cash equivalents	68,882	245,188	193,258	33,215	540,543
Balances - beginning of the year	691,380	651,190	753,146	169,938	2,265,654
Balances - end of the year	<u>\$ 760,262</u>	<u>\$ 896,378</u>	<u>\$ 946,404</u>	<u>\$ 203,153</u>	<u>\$ 2,806,197</u>

The accompanying notes are an integral part of these financial statements

**CITY OF SISSETON**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS - PAGE 2 OF 2  
 YEAR ENDED DECEMBER 31, 2014**

	Enterprise Funds				
	Liquor	Water	Waste Water	Solid Waste	Total
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 147,331	\$ 128,804	\$ 97,904	\$ 26,423	\$ 400,462
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,283	129,213	119,859	6,273	258,628
Change in operating assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(5,038)	417	(520)	(921)	(6,062)
Inventories	2,025	645	-	-	2,670
Prepaid expenses	(388)	418	18	(27)	21
Net OPEB obligation (asset)	(1,393)	(928)	(928)	(2,321)	(5,570)
Increase (decrease) in:					
Accounts payable	(3,809)	(3,786)	-	(683)	(8,278)
Accrued expenses	211	151	151	256	769
Unearned revenue	-	-	-	(57)	(57)
Compensated absences	1,165	660	-	4,142	5,967
Net cash provided by operating activities	<u>\$ 143,387</u>	<u>\$ 255,594</u>	<u>\$ 216,484</u>	<u>\$ 33,085</u>	<u>\$ 648,550</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Capital purchases included in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,479</u>	<u>\$ -</u>	<u>\$ 169,479</u>

The accompanying notes are an integral part of these financial statements

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Financial Reporting Entity:

The reporting entity of the City of Sisseton, South Dakota (City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

The Housing and Redevelopment Commission of the City of Sisseton, South Dakota was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The mayor and city commissioners appoint the five members of the component unit's board and a financial benefit or burden relationship exists.

Complete financial statements for the component unit may be obtained at the unit's administrative offices.

Sisseton Housing and Redevelopment Commission  
123 East Chestnut Street  
Sisseton, South Dakota 57262

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

b. **Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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

*Fund Financial Statements:*

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

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

b. **Basis of Presentation, continued**

*Fund Financial Statements, continued:*

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

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

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

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

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

b. Basis of Presentation, continued

**Proprietary Funds:**

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

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

The City reports the following **major governmental funds**:

General Fund - See the description above. The General Fund is always considered to be a major fund.

The remaining governmental funds are not considered major funds: Entertainment Tax, and TIF#1 Debt Service Funds. These funds are reported on the fund financial statements as “Other Governmental Funds”.

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

b. Basis of Presentation, continued

The City reports the following **major enterprise funds**:

Liquor Fund - financed primarily by user charges this fund accounts for the operation of the municipal liquor store and related activities.

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal water system and related facilities

Waste Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waste water system and related facilities.

Solid Waste Fund - financed primarily by user charges this fund accounts for the operation of the municipal solid waste collection system and related activities.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

*Government-wide Financial Statements:*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

c. **Measurement Focus and Basis of Accounting, continued**

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide financial statements, both governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

All governmental funds financial statements are presented on the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City is 45 days. The revenues which are accrued at December 31, 2014 are property taxes and sales taxes.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

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

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following 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.

f. Inventories:

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

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

*Government-wide Financial Statements:*

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

CITY OF SISSETON

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f. Inventories, continued

*Fund Financial Statements:*

In the fund financial statements, purchases of supply inventory items are recorded as expenditures at the time individual inventory items are purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

g. Capital Assets:

*Government-wide Financial Statements:*

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

The total December 31, 2014 balance of governmental activities capital assets includes approximately twenty percent for which the costs were determined by estimates of the original costs. The total December 31, 2014 propriety fund business-type capital assets includes approximately five percent for which the costs were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Infrastructure."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with accounting principles generally accepted in the United States, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with accounting principles generally accepted in the United States.

CITY OF SISSETON

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

g. Capital Assets, continued

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements, and in the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/Balance Sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

The range of estimated useful lives of capital assets by asset class is as follows:

Land and land rights	Not depreciated
Buildings and structures	15 – 99 years
Machinery, furniture and equipment	3 – 15 years
Infrastructure	5 – 40 years
Improvements	5 – 15 years

*Fund Financial Statements:*

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

h. Long-Term Liabilities:

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

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

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### h. Long-Term Liabilities, continued:

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

##### i. Deferred Inflows and Deferred Outflows of Resources:

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

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

##### j. Program Revenues:

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

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

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

l. Equity Classifications:

*Government-wide Statements:*

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

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components.

m. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### n. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the by the City Council.
5. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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 balance policy.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### o. Cash and Cash Equivalents:

For purposes of reporting the Statements of Cash Flows, the City includes all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, and money market funds with an original maturity of three months or less as cash and cash equivalents on the accompanying balance sheets. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

##### p. Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

#### 2. DEPOSITS AND INVESTMENTS

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

Deposits – The municipal 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 the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

2. DEPOSITS AND INVESTMENTS, continued

**Investments** - In general, SDCL 4-5-6 permits city funds to be invested 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 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.

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

As of December 31, 2014, City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Credit Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SD FIT	Unrated	-	\$ <u>2,478,520</u>
Total			\$ <u>2,478,520</u>

**Custodial Credit Risk - Deposits** - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial risk. As of December 31, 2014, the City's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that is in the possession of an outside party.

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

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 2. DEPOSITS AND INVESTMENTS, continued

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

**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.

**Authorized Investments by the City** - The City does not have a formal investment policy that further limits investments beyond those imposed by statutes.

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

**Custodial Credit Risk - Deposits – Component Unit** - As of December 31, 2014, the Component Unit's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

#### 3. RECEIVABLES

The City expects all receivables to be collected within one year. Allowances for uncollectible accounts receivable in the governmental and enterprise funds are calculated based on historical trend data. For the year ended December 31, 2014, the allowance for doubtful accounts in the governmental and enterprise funds totaled \$ -0-.

#### 4. CHANGES IN CAPITAL ASSETS

A summary of changes in Governmental Activities' capital assets for the year ended December 31, 2014 is as follows:

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

**4. CHANGES IN CAPITAL ASSETS, continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 159,247	\$ -	\$ -	\$ 159,247
Construction in Progress	66,258	11,720	-	77,978
Total capital assets not being depreciated	225,505	11,720	-	237,225
<i>Capital assets being depreciated:</i>				
Infrastructure	4,792,110	119,606	-	4,911,716
Buildings and improvements	1,687,015	-	-	1,687,015
Equipment	1,765,256	209,973	(72,140)	1,903,089
Total capital assets being depreciated	8,244,381	329,579	(72,140)	8,501,820
Less accumulated depreciation for:				
Infrastructure	2,071,144	218,795	-	2,289,939
Buildings and improvements	623,836	36,554	-	660,390
Equipment	1,210,538	146,739	(72,140)	1,285,137
Total accumulated depreciation	3,905,518	402,088	(72,140)	4,235,466
Total capital assets being depreciated, net	4,338,863	(72,509)	-	4,266,354
<i>Capital assets, net - Governmental Activities</i>	<u>\$ 4,564,368</u>	<u>\$ (60,789)</u>	<u>\$ -</u>	<u>\$ 4,503,579</u>

Depreciation expense was charged to functions as follows:

<i>Governmental Activities:</i>	
General Government	\$ 30,487
Public Safety	71,231
Public Works	286,470
Health and Welfare	709
Culture and Recreation	<u>13,191</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 402,088</u></b>

Construction in progress in the governmental activities includes the following:

The Airport Improvement Project # 3-46-0051-08-2008 is an ongoing land acquisition and assessment program. A total of \$74,073 has been spent on the project as of December 31, 2014. Federal and state grants will provide 97% of the funding of eligible costs. An additional \$3,905 was spent in initial design phase of a future storm drainage system. A final estimate of costs has not been determined.

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

4. CHANGES IN CAPITAL ASSETS, continued

A summary of changes in Business-Type Activities' capital assets for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 234,602	\$ -	\$ -	\$ 234,602
Construction in Progress	-	199,479	-	199,479
Total capital assets not being depreciated	<u>234,602</u>	<u>199,479</u>	<u>-</u>	<u>434,081</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,519,070	18,000	-	5,537,070
Equipment	3,616,763	8,500	-	3,625,263
Total capital assets being depreciated	<u>9,135,833</u>	<u>26,500</u>	<u>-</u>	<u>9,162,333</u>
Less accumulated depreciation for:				
Buildings and improvements	3,843,737	136,816	-	3,980,553
Equipment	1,980,317	121,812	-	2,102,129
Total accumulated depreciation	<u>5,824,054</u>	<u>258,628</u>	<u>-</u>	<u>6,082,682</u>
Total capital assets being depreciated, net	<u>3,311,779</u>	<u>(232,128)</u>	<u>-</u>	<u>3,079,651</u>
<i>Capital assets, net - Business-Type Activities</i>	<u>\$ 3,546,381</u>	<u>\$ (32,649)</u>	<u>\$ -</u>	<u>\$ 3,513,732</u>

Depreciation expense was charged to functions as follows:

<i>Business-Type Activities:</i>	
Liquor Fund	\$ 3,283
Water Fund	129,213
Waste Water Fund	119,859
Solid Waste Fund	<u>6,276</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<b><u>\$ 258,628</u></b>

Construction in progress in the business-type activities includes the following:

The City has undertaken a Sewer Lagoon and Wetland Improvement Project within the Wastewater Fund. They have signed a construction contract totaling just over \$276,000 plus engineering costs. A total of \$199,479 has been spent on the project as of December 31, 2014. Funds will be provided through cash reserves.

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

4. CHANGES IN CAPITAL ASSETS, continued

A summary of changes in Component Unit's capital assets for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Component Unit:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 71,224	\$ -	\$ -	\$ 71,224
Total capital assets not being depreciated	71,224	-	-	71,224
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,083,620	25,739	-	5,109,359
Equipment	170,850	1,200	-	172,050
Total capital assets being depreciated	5,254,470	26,939	-	5,281,409
Less accumulated depreciation for:				
Buildings and improvements	4,257,943	123,280	-	4,381,223
Equipment	127,293	6,345	-	133,638
Total accumulated depreciation	4,385,236	129,625	-	4,514,861
Total capital assets being depreciated, net	869,234	(102,686)	-	766,548
<i>Capital assets, net - Component Unit</i>	<u>\$ 940,458</u>	<u>\$ (102,686)</u>	<u>\$ -</u>	<u>\$ 837,772</u>

5. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities of the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds Payable:					
Revenue	\$ 235,956	\$ -	\$ (37,638)	\$ 198,318	\$ 25,714
Total Debt	235,956	-	(37,638)	198,318	25,714
Compensated Absences	32,911	23,476	(19,746)	36,641	21,985
<i>Total Governmental Activities</i>	<u>268,867</u>	<u>23,476</u>	<u>(57,384)</u>	<u>234,959</u>	<u>47,699</u>
<i>Business-Type Activities:</i>					
Compensated Absences	28,607	23,131	(17,164)	34,574	20,744
<i>Total Business-Type Activities</i>	<u>28,607</u>	<u>23,131</u>	<u>(17,164)</u>	<u>34,574</u>	<u>20,744</u>
<i>Total Primary Government</i>	<u>\$ 297,474</u>	<u>\$ 46,607</u>	<u>\$ (74,548)</u>	<u>\$ 269,533</u>	<u>\$ 68,443</u>

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

5. LONG-TERM LIABILITIES, continued

A summary of the changes in long-term liabilities of the component unit is as follows:

<i>Component Unit</i>	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes Payable	\$ 79,598	\$ -	\$ (18,570)	\$ 61,028	\$ 19,788
Compensated Absences	10,158	6,129	(6,878)	9,409	4,894
<i>Total Component Unit</i>	<u>\$ 89,756</u>	<u>\$ 6,129</u>	<u>\$ (25,448)</u>	<u>\$ 70,437</u>	<u>\$ 24,682</u>

Long-term liabilities at December 31, 2014, are comprised of the following:

*Governmental Activities:*

Revenue Bonds:

\$360,000 Tax Increment Revenue Bonds  
(TIF District #1), Series 2008; final maturity  
December 2022; interest rate range of 0.00%  
payments are made from the TIF # 1 Debt  
Service Fund.

\$ 193,318

Compensated Absences:

Vacation and sick leave payable to  
City Employees as of December 31,  
2014; payments will be made from  
the same department as the employees'  
normal salary is paid.

36,641

Total Governmental Activities

\$ 234,959

*Business-Type Activities*

Compensated Absences:

Vacation and sick leave payable to  
City Employees as of December 31,  
2014; payments will be made from  
the same fund as the employees' normal  
salary is paid.

34,574

Total Business-Type Activities

\$ 34,574

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

5. LONG-TERM LIABILITIES, continued

*Component Unit:*

Notes Payable:

SDHDA Project No. SD 99-H001-014;

Mortgage note payable; monthly payments  
of \$1,907 including interest at 6.06%;  
final maturity November 2017.

\$ 61,028

Compensated Absences:

Vacation and sick leave payable to  
Employees as of December 31, 2014  
payments will be made from the same  
program as the employees' normal  
salary is paid.

9,409

Total Component Unit

\$ 70,437

The annual requirements to amortize Governmental Activities debt outstanding as of December 31, 2014, are as follows:

Annual Requirement to Amortize Long Term Liabilities  
Governmental Activities

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2015	\$ 25,714	\$ -	\$ 25,714
2016	25,714	-	25,714
2017	25,714	-	25,714
2018	25,714	-	25,714
2019	25,714	-	25,714
2020 - 2022	69,748	-	69,748
Total	\$ 198,318	\$ -	\$ 198,318

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

5. LONG-TERM LIABILITIES, continued

The annual requirements to amortize Component Unit debt outstanding as of December 31, 2014, are as follows:

Annual Requirement to Amortize Long Term Liabilities  
Component Unit

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2015	\$ 19,788	\$ 3,156	\$ 22,944
2016	20,956	1,927	22,883
2017	20,284	621	20,905
Total	\$ 61,028	\$ 5,704	\$ 66,732

6. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN

**Plan Description** - The City of Sisseton Other Post Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit healthcare plan administered by the City. The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents as permitted by South Dakota Codified Law 6-1-16 and South Dakota Codified Law 9-14-35. Benefit provisions were established and may be amended by the City Commission. The OPEB Plan does not issue separately stated stand-alone financial statements.

**Funding Policy** - The contribution requirements of plan members and the City are established and may be amended by the City Commission. An individual who is employed by the City and is eligible to participate in the City's group health plan, who retires from the City after reaching the age of 55 and with at least 20 years of service and was participating in the group health plan for 10 consecutive years prior to retirement, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree or dependent attains the age of 65 or becomes eligible for Medicare except for COBRA continuation if elected. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

6. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

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

Annual Required Contribution (ARC)	\$ 10,530
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	\$ 10,530
Contributions made	<u>(26,003)</u>
Increase in Net OPEB Obligation	\$ (15,473)
Net OPEB Obligation (Asset) - Beginning	<u>(4,468)</u>
Net OPEB Obligation (Asset) - Ending	<u>\$ (19,941)</u>

The City's annual OPEB cost data and net OPEB obligation (asset) was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed	Net OPEB Obligation (Asset)
December 31, 2009	\$ 2,602	261.45%	\$ (4,201)
December 31, 2010	\$ 2,602	259.29%	\$ (8,346)
December 31, 2011	\$ 2,602	288.62%	\$ (13,254)
December 31, 2012	\$ 10,530	41.19%	\$ (7,061)
December 31, 2013	\$ 10,530	75.38%	\$ (4,468)
December 31, 2014	\$ 10,530	246.94%	\$ (19,941)

**Funded Status and Funding Progress** - As of January 1, 2012, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	\$ 156,333
Actuarial Value of Benefit Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 156,333</u>
Funded Ratio	0.00%
Covered Payroll	\$ 586,661
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	26.65%

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

6. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the Alternative Measurement Method, actuarial valuation, a simplified version of the Projected Unit Credit Actuarial Cost Method was used to determine the annual required contribution. The actuarial assumptions included a 4.5 percent rate of return and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. Both rates include a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2014, was 24 years.

7. RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
General Fund	SDPAA Reserve	\$ 44,466
Entertainment Tax Fund	Law	130,430
TIF # 1 Fund	Law	<u>37,638</u>
Total Restricted Net Position		<u>\$ 212,534</u>

**CITY OF SISSETON**

NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014

8. INTERFUND TRANSFERS

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

	Transfers To	Transfers From
<i>Governmental activities:</i>		
General Fund:		
Liquor Fund	\$ -	\$ 75,000
<i>Total governmental activities</i>	-	75,000
<i>Business-type activities:</i>		
Liquor Fund		
General Fund	75,000	-
<i>Total business-type activities</i>	75,000	-
<i>Total primary government</i>	\$ 75,000	\$ 75,000

The City typically budgets transfers to the General Fund from the Liquor Fund to conduct the indispensable functions of the City.

9. RETIREMENT PLAN

All employees, except for part-time employees who work less than twenty hours per week and temporary 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. The 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. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 9. RETIREMENT PLAN, continued

General employees are required by state statute to contribute 6.0% of their salary to the plan, while public safety and judicial employees contribute at 8.0% and 9.0% 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 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2014, 2013 and 2012 was \$46,019, \$47,050, and \$45,005, respectively, equal to the required contributions each year.

#### 10. RISK MANAGEMENT

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

##### **Employee Health Insurance**

The City is a member of the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

##### **Property Insurance**

The City purchases insurance coverage for its buildings and contents from a commercial insurance carrier. The deductible for this coverage varies from \$250 to \$1,000. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**CITY OF SISSETON**

**NOTES TO FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2014**

10. RISK MANAGEMENT, continued

**Liability Insurance**

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium to the pool to provide coverage for general liability, auto liability and damage, and errors and omissions of public officials, including law enforcement personnel.

The agreement with the South Dakota Public Assurance Alliance provides that the above coverage 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 to the upper limit. The City carries a \$500 deductible for the official liability and a \$2,000 deductible for law enforcement liability coverage. The remaining coverages are \$ -0- deductible.

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%
End of the City's Second Full Year	60%
End of the City's Third Full Year	70%
End of the City's Fourth Full Year	80%
End of the City's Fifth Full Year	90%
End of the City's Sixth Full Year and Thereafter	100%

As of December 31, 2014, the City has a vested balance in the cumulative reserve fund of \$44,466.

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

## CITY OF SISSETON

### NOTES TO FINANCIAL STATEMENTS - continued DECEMBER 31, 2014

#### 10. RISK MANAGEMENT, continued

##### **Liability Insurance, continued**

The City purchases liability insurance for risks related to airport liability from a commercial insurance carrier.

##### **Worker's Compensation**

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage to its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date to the Fund Members. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to \$1,675,000 per individual per incident.

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

##### **Unemployment Benefits**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SISSETON**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - PAGE 1 OF 2  
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
<b>Taxes:</b>				
General property taxes	\$ 775,000	\$ 775,000	\$ 775,827	\$ 827
General sales and use taxes	950,000	950,000	1,028,979	78,979
Amusement taxes	240	240	168	(72)
Penalties and interest on delinquent taxes	-	-	7,803	7,803
Licenses and permits	9,350	9,350	12,385	3,035
<b>Intergovernmental revenue:</b>				
Federal grants	-	-	38,993	38,993
State grants grants	-	-	13,505	13,505
State shared revenues	80,700	80,700	119,076	38,376
State payments in lieu of taxes	12,000	12,000	14,922	2,922
County shared revenues	2,200	2,200	2,247	47
<b>Charges for goods and services:</b>				
General government	7,500	7,500	-	(7,500)
Public safety	19,300	19,300	28,295	8,995
Highway and streets	2,000	2,000	2,871	871
Airport	-	-	15,079	15,079
Culture and recreation	6,000	6,000	9,011	3,011
<b>Fines and forfeits:</b>				
Court fines and costs	250	250	926	676
Animal control fines	250	250	265	15
<b>Miscellaneous revenue:</b>				
Interest earned	2,000	2,000	2,947	947
Rentals	18,000	18,000	20,252	2,252
Contributions and donations from private sources	-	-	38,061	38,061
Other	53,000	53,000	41,721	(11,279)
<b>Total revenues</b>	<u>1,937,790</u>	<u>1,937,790</u>	<u>2,173,333</u>	<u>235,543</u>
<b>EXPENDITURES</b>				
<b>General government:</b>				
Legislative	44,200	44,200	37,670	6,530
Contingency	100,000	100,000	-	77,500
(Amount transferred)		(22,500)		
Executive	11,700	11,700	9,480	2,220
Elections	2,200	2,200	47	2,153
Financial administration	125,500	125,500	113,434	12,066
Other	59,000	59,000	35,523	23,477
<b>Public safety:</b>				
Police	511,000	511,000	463,813	47,187
Fire	79,800	79,800	49,166	30,634
<b>Public works:</b>				
Highways and streets	821,300	821,300	597,784	223,516
Sanitation	9,000	9,000	6,322	2,678
Airport	23,000	43,000	38,710	4,290
<b>Health and welfare:</b>				
Health	9,000	11,500	10,211	1,289
<b>Culture and recreation:</b>				
Recreation	55,000	55,000	54,100	900
Parks	26,000	26,000	14,850	11,150
Libraries	141,750	141,750	137,845	3,905

See Independent Auditor's Report

CITY OF SISSETON

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND - PAGE 2 OF 2  
 YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
Conservation and development:				
Economic development and assistance	<u>73,600</u>	<u>73,600</u>	<u>65,490</u>	<u>8,110</u>
Total expenditures	<u>2,092,050</u>	<u>2,092,050</u>	<u>1,634,445</u>	<u>457,605</u>
(Deficiency) excess of revenues over expenditures	<u>(154,260)</u>	<u>(154,260)</u>	<u>538,888</u>	<u>693,148</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	75,000	75,000
Sale of surplus property	-	-	5,364	5,364
Total other financing sources	-	-	80,364	80,364
Net change in fund balances	(154,260)	(154,260)	619,252	773,512
<b>CHANGE IN NONSPENDABLE</b>	-	-	7,594	7,594
Fund balances - beginning	<u>3,568,777</u>	<u>3,568,777</u>	<u>3,568,777</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,414,517</u>	<u>\$ 3,414,517</u>	<u>\$ 4,195,623</u>	<u>\$ 781,106</u>

See Independent Auditor's Report

## CITY OF SISSETON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2014

#### 1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. 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.
3. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
4. 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, special revenue funds and capital projects funds.

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

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital projects funds.
6. The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within each function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present capital outlay expenditures as a separate function.

**CITY OF SISSETON**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST EMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2014**

The following schedule of funding progress is presented to provide trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (Unit Credit Method)	Unfunded Actuarially Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009	\$ -	\$ 30,273	\$ 30,273	0.00%	\$ 539,771	5.61%
January 1, 2012	\$ -	\$ 156,333	\$ 156,333	0.00%	\$ 586,661	26.65%

SUPPLEMENTARY INFORMATION

CITY OF SISSETON

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	Special Revenue Fund Entertainment Tax	Debt Service Fund TIF # 1	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 122,359	\$ 37,638	\$ 159,997
Receivables, (net of allowances for uncollectibles, if any):			
Interest	48	-	48
Due from other governments	<u>8,023</u>	<u>-</u>	<u>8,023</u>
Total assets	<u>\$ 130,430</u>	<u>\$ 37,638</u>	<u>\$ 168,068</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
Promotion	130,430	-	130,430
Debt service	<u>-</u>	<u>37,638</u>	<u>37,638</u>
Total fund balances	<u>130,430</u>	<u>37,638</u>	<u>168,068</u>
Total liabilities and fund balances	<u>\$ 130,430</u>	<u>\$ 37,638</u>	<u>\$ 168,068</u>

See Independent Auditor's Report

**CITY OF SISSETON**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2014**

	<u>Special Revenue Fund Entertainment Tax</u>	<u>Debt Service Fund TIF # 1</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
General sales and use taxes	\$ 70,643	\$ 75,276	\$ 145,919
Intergovernmental revenue:			
State shared revenues	5,389	-	5,389
Miscellaneous revenue:			
Interest earned	<u>90</u>	<u>-</u>	<u>90</u>
Total revenues	<u>76,122</u>	<u>75,276</u>	<u>151,398</u>
<b>EXPENDITURES</b>			
Conservation and development	49,799	-	49,799
Debt Service:			
Principal	<u>-</u>	<u>37,638</u>	<u>37,638</u>
Total expenditures	<u>49,799</u>	<u>37,638</u>	<u>87,437</u>
Excess (deficiency) of revenues over expenditures	<u>26,323</u>	<u>37,638</u>	<u>63,961</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	26,323	37,638	63,961
Fund balances - beginning	<u>104,107</u>	<u>-</u>	<u>104,107</u>
Fund balances - ending	<u>\$ 130,430</u>	<u>\$ 37,638</u>	<u>\$ 168,068</u>

See Independent Auditor's Report



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

To the Honorable Mayor and  
Members of the City Commission  
City of Sisseton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Sisseton, South Dakota**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Sisseton, South Dakota's basic financial statements, and have issued our report thereon dated December 21, 2015, which includes a reference to other auditors. Other auditors audited the financial statements of the Sisseton Housing and Redevelopment Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses that we consider to be a significant deficiency: Finding 2014-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Sisseton, South Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Sisseton, South Dakota's Response to Findings**

The City of Sisseton, South Dakota's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. The City of Sisseton, South Dakota's response was not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

*Wohlschlag Ritzman & Co LLC*  
Yankton, South Dakota  
December 21, 2015

**CITY OF SISSETON**

**STATUS OF PRIOR AUDIT RECOMMENDATIONS  
DECEMBER 31, 2014**

**PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS**

The prior audit report contained no major federal compliance audit findings reported.

**PRIOR OTHER AUDIT FINDINGS**

**2013-001 Segregation of Duties – Significant Deficiency**

Condition

The City has a lack of segregation of duties in certain areas due to a limited staff.

Recommendation

Management and the City Commission should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

Status

This is a continuing condition.

## CITY OF SISSETON

### SCHEDULE OF AUDIT FINDINGS AND RESPONSES DECEMBER 31, 2014

**2014-001 Revenue and Receivables – Segregation of Duties**  
**Repeat of Finding 2013-001**  
**Significant Deficiency**

Condition

Two members of the office staff process all cash receipts and disbursement transactions, including receiving money, issuing receipts, recording and posting receipts in the accounting records, preparing bank deposits, reconciling bank statements, and preparing financial statements.

Criteria

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

Cause

Because of the nature and size of the entity, resources are limited to provide adequate levels of control.

Effect

At times there is an inadequate segregation of duties for these accounting functions. Although the staff attempts to divide the various tasks so that one person does not control a transaction from beginning to end, that is not always possible.

Recommendation

Management and the City Commission should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. The most effective controls lie in the Management's knowledge of the matters relating to the City's operations, establishing a procedure of rotation of duties and strict enforcement of a vacation policy requiring all personnel to be absent from the City for specified times.

**CITY OF SISSETON**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES, continued  
DECEMBER 31, 2014**

**2014-001 Revenue and Receivables – Segregation of Duties, continued**

Management's Response

The Mayor and the City Commission of the City of Sisseton, South Dakota, are the contact persons responsible for the response to this comment. This comment is a result of the size of the City of Sisseton which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City's management has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for accounting functions. The City of Sisseton's management is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding accounting functions continues to exist.